



ANNUAL REPORT

ÁLLAMI
SZÁMVEVŐSZÉK



to the National Assembly on the professional activities of the State Audit Office of Hungary and the operations and financial management of the institution in 2022





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B/5481

Dr. László WINDISCH

President



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PRESIDENT'S FOREWORD

The 2022 Annual Report of the State Audit Office of Hungary (hereinafter: SAO) presents a period that was extraordinary in many ways. This was a unique year above all due to a change in the person of the president of the institution: on 4 July 2022, the National Assembly elected me, by a two-thirds majority, as President of the State Audit Office of Hungary for a term of 12 years. Accordingly, this report evaluates two different periods: the audits and analyses of the previous President's term in 2022, and the process that started under my leadership to reconsider the principles and practices of the organisation, to renew the auditing process and the SAO as a whole.

The Fundamental Law of Hungary contains a clear definition of the framework for the functioning of the State Audit Office of Hungary. The core tasks of SAO include auditing the implementation of the central budget, the management of public finances, the use of resources from the general government and the management of national assets. In addition to the aspects of legality, i.e. compliance with legal regulations, the SAO also takes into account considerations of expediency and effectiveness in the course of its audits. The role of the SAO thus goes beyond ascertaining whether the audited organisations and institutions comply with legal regulations in their financial management; it is more than just a financial audit body. The State Audit Office of Hungary also wishes to contribute to ensuring that the audited

institutions manage their finances efficiently and that they are genuinely working to achieve the social objectives entrusted to them.

The legislator has created a number of safeguards to ensure that the SAO performs its function successfully. Act LXVI of 2011 on the State Audit Office of Hungary clearly states, inter alia, that the institution conducts auditing activities independently of all other organisations. The provisions of the Act ensure the legal, professional, personal and financial independence of the SAO, thus enabling it to focus exclusively on professionalism and on the achievement of these objectives as a guardian of the values of democracy.

Among the values of democracy, it is of the utmost importance that the organs and institutions of the State, the companies under its governance and the organisations managing public funds actually use the assets entrusted to them with the utmost regard for the objectives of the State and the interests of the community. It is also important to ensure that parliamentary and local elections, which are the cornerstone of democracy, are executed in a fair and orderly manner, and that party operations and financing are lawful and transparent.

In the second half of last year, a process of renewal was already underway, involving organisational and personnel changes, the formulation of new audit principles and methodological innovations, the further development of professional audit rules and the creation of

the conditions for quality assurance in our operations. The SAO will accelerate digitalisation across the entire institution in order to achieve its objectives, and as part of this, a risk analysis system using the tools of digitalisation will be developed. It is a principle I hold and my intention is that audits should always be carried out in the interest of the audited organisation and in support of it. It is nevertheless also important for us to have the ability to react to actual social issues directly, even beyond the annual audit plan, and to be able to monitor the spending of public funds as soon as possible in the context of the relevant decisions, the transactions and economic events. I also consider it a fundamental task of the SAO to comprehensively audit and deal with certain areas that directly affect all social groups, such as water management, and to make a true contribution to the effective performance of these public tasks through our findings and recommendations.



dr. László WINDISCH
President

SUMMARY

The requirement for sound, proper and responsible management of budgetary resources has become even more important today, resulting in ever greater prominence for the role of the auditing of public funds. As the main financial and economic audit body of the National Assembly, the main objective of the State Audit Office of Hungary is to support the lawful, focused, cost-effective, productive and efficient operation and financial management of the organisations managing public funds, by way of its audits and the conclusions, recommendations and advice drawn from its audit findings. According to the Fundamental Law of Hungary, the SAO has general powers to audit the implementation of the central budget, the financial management of public finances, the use of resources from public funds and the management of national assets within the scope of its statutory functions, in accordance with the criteria of legality, expediency and efficiency. Its auditing powers extend to the entirety of the use and utilisation of public funds and national assets.

In 2022, the SAO fulfilled its statutory obligations and implemented the tasks set out in its audit plans. In 2022, the State Audit Office of Hungary issued 71 reports covering 5,552 organisations and made a total of 70 recommendations. In 2022, the President of the SAO sent calls for action to 2,932 recipients, inviting them to take action in order to terminate illegal practices, misuse or wasteful use of assets identified during the audit. The State Audit Office of Hungary carried out a follow-up audit of 54 organisations in order to assess whether the audited organisations had implemented the actions set out in their action plans to address the weaknesses and reduce the risks identified in the SAO's report. In 46 cases,

the State Audit Office of Hungary recommended suspension of the disbursement of budgetary support in order to remedy the deficiencies identified during the audit and to restore the proper functioning of the audited organisation. Fulfilling its statutory obligation, in 2022 the SAO supported the National Assembly in making informed decisions on the Bill for the 2023 central budget of Hungary by providing opinion on the Bill; further, it produced 40 analyses, four of which directly contributed to supporting the work of the Fiscal Council.

The SAO drew up its budget implementation report as at 31 December 2022, which, in the independent auditor's opinion, gives a true and fair view of the implementation of the budget for the year, the financial position of the State Audit Office of Hungary and the results of its financial management.

In 2022, an important change was brought about by Resolution No. 28/2022 (VII.5.) of the National Assembly, by which the new President of the SAO was elected for a 12-year term with effect from 6 July 2022; in the coming years, he will place the focus of the SAO's efforts on the in-depth, comprehensive and real-time auditing of operations and financial management, on the systemic evaluation of complex processes in public finances and on strengthening the supportive and advisory role of the State Audit Office of Hungary.

The organisation and operational system aligned with the new objectives was implemented in several phases starting in the second half of 2022. Taking into account the SAO's audit tasks and the range of audited organisations, five audit directorates were set up along with a special analyses

department, which also serve as competence centres for their areas. At the organisational level, audits are coordinated by the Directorate of Coordination, using strategic, methodological, risk analysis and in-process quality assurance functions. A dedicated directorate is responsible for carrying out the general legal tasks related to audits and the operation of the SAO. In February 2023, the Directorate of Information Technology was set up and tasked with operational responsibilities and the overseeing of the new Digital Data Analysis Department. A compliance officer was appointed to ensure that the SAO's operations would fully comply with all the rules governing it.

The State Audit Office of Hungary introduced new solutions and working methods to respond in a timely manner to the challenges faced by society as a whole and to the changing environment and economic changes. In order to support the efforts to achieve the goals identified, the SAO continued to develop its professional rules on audit activities in line with international standards and the provisions of Act LXVI of 2011 on the State Audit Office of Hungary (hereinafter: "Act on SAO"). In order to strengthen digitalisation, the SAO has set itself the objective of creating a digital audit and central data analysis environment, the most important elements of which are the data and information available in central registers and systems concerning the scope and activities of the audited organisations. In addition, the development of an internal data analytical environment has been initiated, using digital solutions to analyse risk, plan and conduct audits and to base analyses on the data received.

In December 2022, the National Assembly adopted an amendment to the Act on SAO, which entered into force on 1 January 2023. The amendment confirmed the SAO's right of access to public data and, in the context of exercising its powers, the organisation is entitled to have direct access to, and use, data in the public registers and databases of the state and local governments as defined in Act CXII of 2011 on the Right to Informational Self-Determination and Freedom of Information.

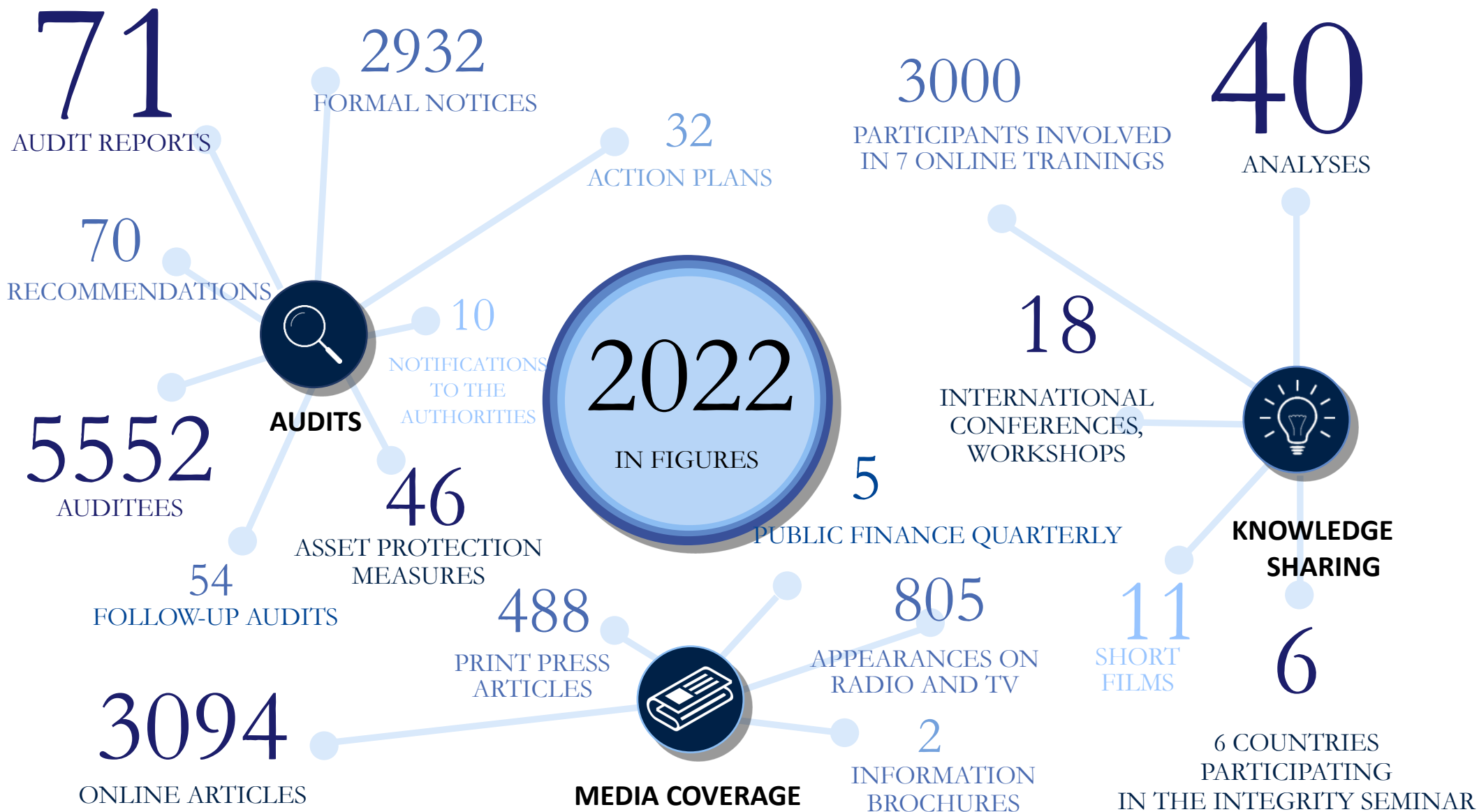
The amendment to the Act on SAO includes the supportive, non-audit tasks to be performed by the State Audit Office of Hungary for the benefit of auditable and audited organisations. The amendment to the Act has opened up the possibility for the SAO to conduct advisory audits upon the request of the proprietary body, governing body, owner or founder; such audits end with the issuance of an advisory opinion. In addition, a new legal instrument, the Presidential Recommendation, which is a non-mandatory and legally non-binding instrument to promote uniform application of legal regulations, was introduced in the Act on SAO to encourage voluntary compliance by the organisations that are or may be audited by the State Audit Office of Hungary.

The amendment of the Act on SAO affected the organisational structure of the SAO, the employment status of its staff, and the financial management of the Office. The amendment of the Act replaced the former auditor appointments by a public service contract for auditors, which is concluded by bilateral agreement between the parties. Wage bill management was introduced at the same time, and provides the opportunity to develop a flexible, performance-oriented and predictable system of human resources policy.

The SAO determined its audit plan for 2023 taking into account budgetary and social impacts and risks; its plan contains audit topics that promote sustainable economic growth and create real value for Hungary.

In compliance with its statutory obligation, the State Audit Office of Hungary prepared its annual report to the National Assembly, in which it provides information on the audit activities, operations and financial management of the organisation in the previous year, as well as on the measures taken on the basis of audit findings, with an insight into the organisational and structural changes implemented in the first quarter of 2023.

THE 2022 ACTIVITIES OF THE STATE AUDIT OFFICE OF HUNGARY IN FIGURES



THE PROFESSIONAL ACTIVITIES OF THE STATE AUDIT OFFICE OF HUNGARY

Implementation of audit plans

Value of public funds and public property audited

Number of audited organisations

Areas benefiting from of the audit activities of the State Audit Office of Hungary

IMPLEMENTATION OF AUDIT PLANS

Pursuant to Article 3(2) of the Act on SAO, the State Audit Office of Hungary continued to carry out its activities in 2022 on the basis of its plans for the first and second half of the year and subsequently the version of the latter amended in September 2022 (hereinafter: “audit plans”), as approved by the President and submitted to the National Assembly; in addition to the audit frequencies (annual, biannual) and other event-triggered audit topics specified in the law, the audit plans also included a large number of audit tasks to be carried out on the basis of the statutory mandate.

In 2022, the SAO published a total of 71 reports on its website; these concerned 5,552 organisations. Chart 1 shows the number of reports published by the State Audit Office of Hungary in 2022, by type of audit, and the number of opinions and assessments issued. Table 1 also shows the number of related organisations concerned.

Of the 71 reports of the SAO, 67.6% were compliance audits, 21.1% compliance and performance audits and 7.1% performance audits. The remaining 4.2% was comprised by opinions and assessments.

Table 1 – Breakdown of closed audits by type of audit in 2022 (number of audits)

TYPE OF AUDIT	NUMBER OF REPORTS	NUMBER OF ORGANISATIONS CONCERNED
Compliance audits	48	2516
<i>of which regularity audits</i>	13	388
Compliance and performance audits	15	180
Performance audits	5	46
Opinion/assessment	3	2810
TOTAL	71	5552

COMPLIANCE AUDITS

Compliance audits are a type of audit carried out by the SAO to determine whether the activity or operation audited complies in all material respects with the audit criteria, which are the standards, regulations and requirements applicable to the audited entity.

In fulfilling its statutory obligation to conduct annual audits, the State Audit Office of Hungary audited the implementation of the 2021 central budget, assessing the reliability of the revenue and expenditure data of the central sub-sector as a whole and compliance with the requirements on the deficit and public debt.

The SAO also conducted compliance audits of the following:

- selected central budgetary entities, their control activities and the performance of management functions,
- the cash flow accounting of expenditures at 18 audited local governments, the integrity and internal control systems of the selected local government institutions, and the asset management of 45 local governments,
- the preparation of 35 major investments,
- the exercise of ownership rights in five state-owned companies, the assets of the selected state-owned companies and the control of revenue collection and accounting in 18 state-owned companies,
- selected entities outside public finances maintaining social and public education institutions, and
- the organisations responsible for e-commerce oversight, and carried out a follow-up audit of the 2020 final accounts.

As of 31 December 2022, compliance audits were ongoing at ten local governments regarding their activities concerning local business taxes, and also integrity audits at 1,574 companies in which the state or local governments are

majority owners. The audits were completed by the time of writing this Annual Report; the audit reports were published by the SAO in March 2023.

Pursuant to Article 6(2) of Act CXLIX of 2021 on the Implementation of the 2020 Unified Budget of the National Media and Infocommunications Authority, in force since 21 December 2021, the SAO audited the use of funds granted to the Media Service Support and Asset Management Fund for the performance of public service tasks. The State Audit Office of Hungary closed the audit started in 2022 and published its report in April 2023.

REGULARITY AUDITS

In fulfilling its statutory annual audit obligation, the SAO reviewed the Local Government Decree on the distribution of revenues to be shared between the Municipality of Budapest and the district municipalities in 2021 and 2022, and audited the regularity of the distribution of revenues and the determination and accounting of expenditures related to local taxation. The audit of 2021 revenues was an audit carried over from the previous year.

Under its obligation to conduct biannual audits, the SAO drew up reports on the legality of the financial management of five party foundations as part of its biennial audit; two of these were audits carried over from 2021. In addition, the State Audit Office of Hungary conducted regularity audits on the mid-level governance functions of selected central budgetary entities and the implementation of tasks related to the budgetary support granted to 26 sports associations and 346 sports federations.

As of 31 December 2022, the SAO was carrying out a regularity audit on the accounting of funds used for the 2022 parliamentary election campaigns of individual candidates, the biennial audit of the financial management of parties and party foundations receiving budgetary support in the case of four audited entities each, and an audit of the performance of tasks related to the exercise of ownership rights over state assets; these audits were completed and their reports were published by the State Audit Office of Hungary in March, April and July 2023, respectively.

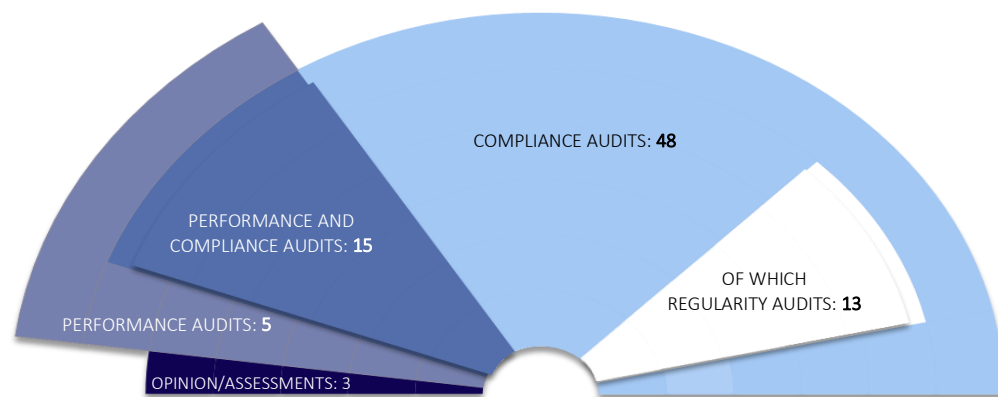
In compliance with its statutory obligation, the SAO started regularity audits in the second half of 2022 to audit the accounting of the funds used for the 2022 parliamentary election campaign by the nominating organisations.

PERFORMANCE AUDITS

A performance audit is a type of audit carried out by the SAO aimed at determining whether the management of public funds and national assets complies with the principles of cost-effectiveness, efficiency and effectiveness, or whether there is room for improvement.

The State Audit Office of Hungary carried out performance audits focusing on the organisational performance of 20 local government offices, on the setting, measurement and evaluation of performance targets for financial management processes in 23 state-owned companies, and the effectiveness of the use of resources allocated to research, development and innovation.

Chart 1 – Number of reports published by the SAO in 2022, by type of audit



COMPLIANCE AND PERFORMANCE AUDITS

In the framework of a performance audit combined with a compliance audit, the SAO audited the activities of the National Tax and Customs Administration (hereinafter: “NTCA”) concerning the flat-rate tax of small taxpayers (hereinafter: “KATA”) and the small business tax (hereinafter: “KIVA”) as well as its other tasks; tasks related to the local business tax at 66 local governments; as part of its audit of the local governments, it audited the control practices of certain governance bodies (the capital city and the 19 county government offices), the operation and financial management of the eight regional development councils (hereinafter: “RDC”), the copyright system, 13 universities affected by a change in maintaining entity, and the system of data collection and processing.

Compliance and performance audits are underway to examine water protection and the performance of water management functions, i.e. water utilities services.

OPINION/ASSESSMENTS

The SAO supported the National Assembly in making informed decisions on the Bill for the 2023 central budget of Hungary by providing opinion on the Bill.

Pursuant to Article 2 of Act XLIX of 2021 on the Transparency of Organisations Carrying out Activities Capable of Influencing Public Life (hereinafter: “Act XLIX of 2021”), the State Audit Office of Hungary prepared and published its annual summary report on NGOs engaged in activities that are capable of influencing public life, thus ensuring that the public and those interested in the activities of NGOs are properly informed.

The SAO issued an assessment of public bodies not included in the register of the National Office for the Judiciary (hereinafter: “NOJ”).

VALUE OF PUBLIC FUNDS AND PUBLIC PROPERTY AUDITED

The amount of public funds and public property included in the audits of the SAO in 2022 is shown in Chart 2 for the central and the local government sub-sectors and the organisations outside public finances. However, for some audits, this cannot be quantified due to the nature of the area audited, such as military procurement, the audit of the copyright system, follow-up audits, major

investments, nuclear safety, public bodies, the second line of defence of local governments, the audit of the data and information disclosed by the Hungarian State Treasury (hereinafter: “Treasury”) and its reports management activities, research and development and innovation, as well as e-commerce audits.

Chart 2 – Value of public funds and public property audited, by area audited

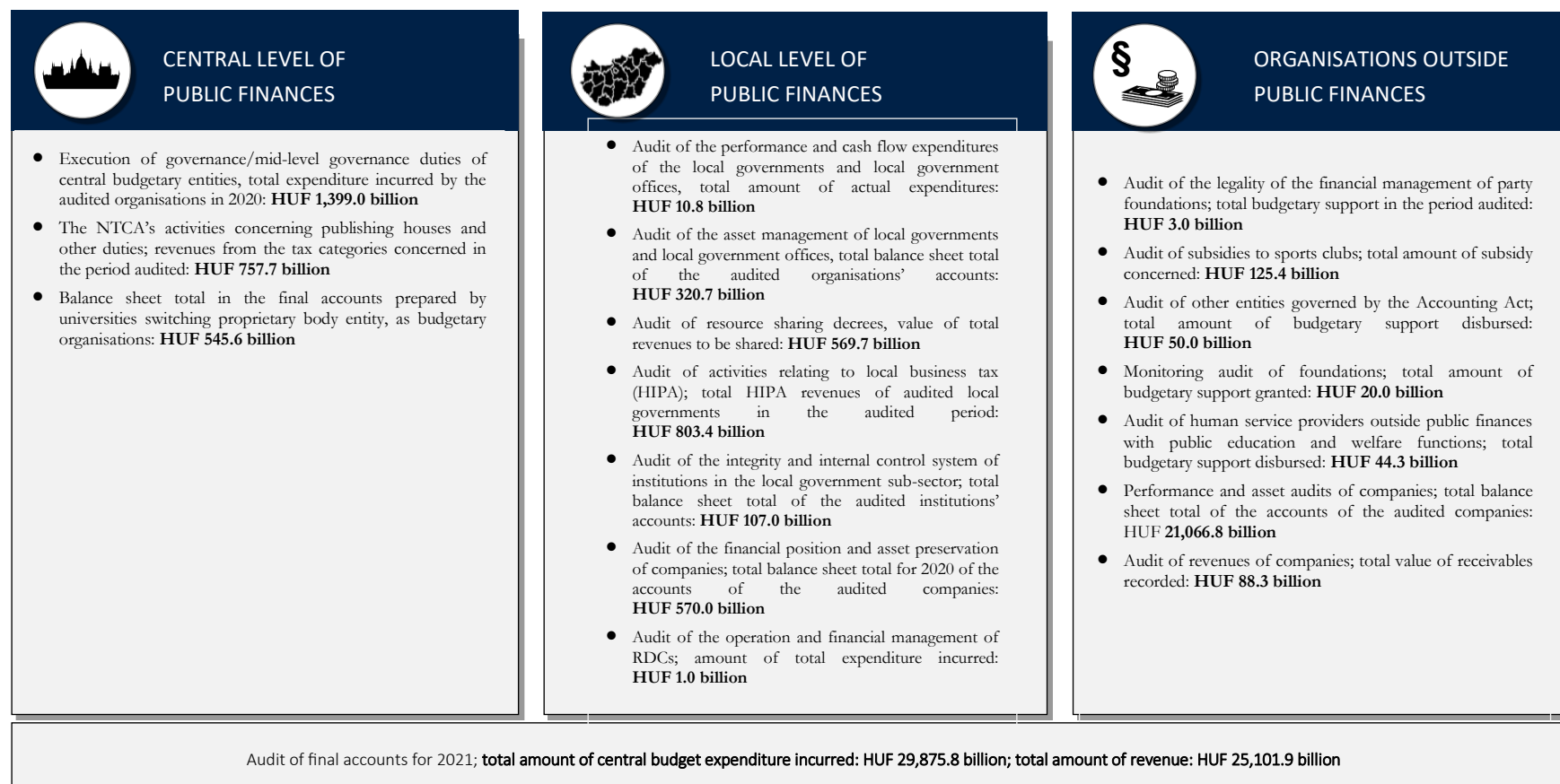
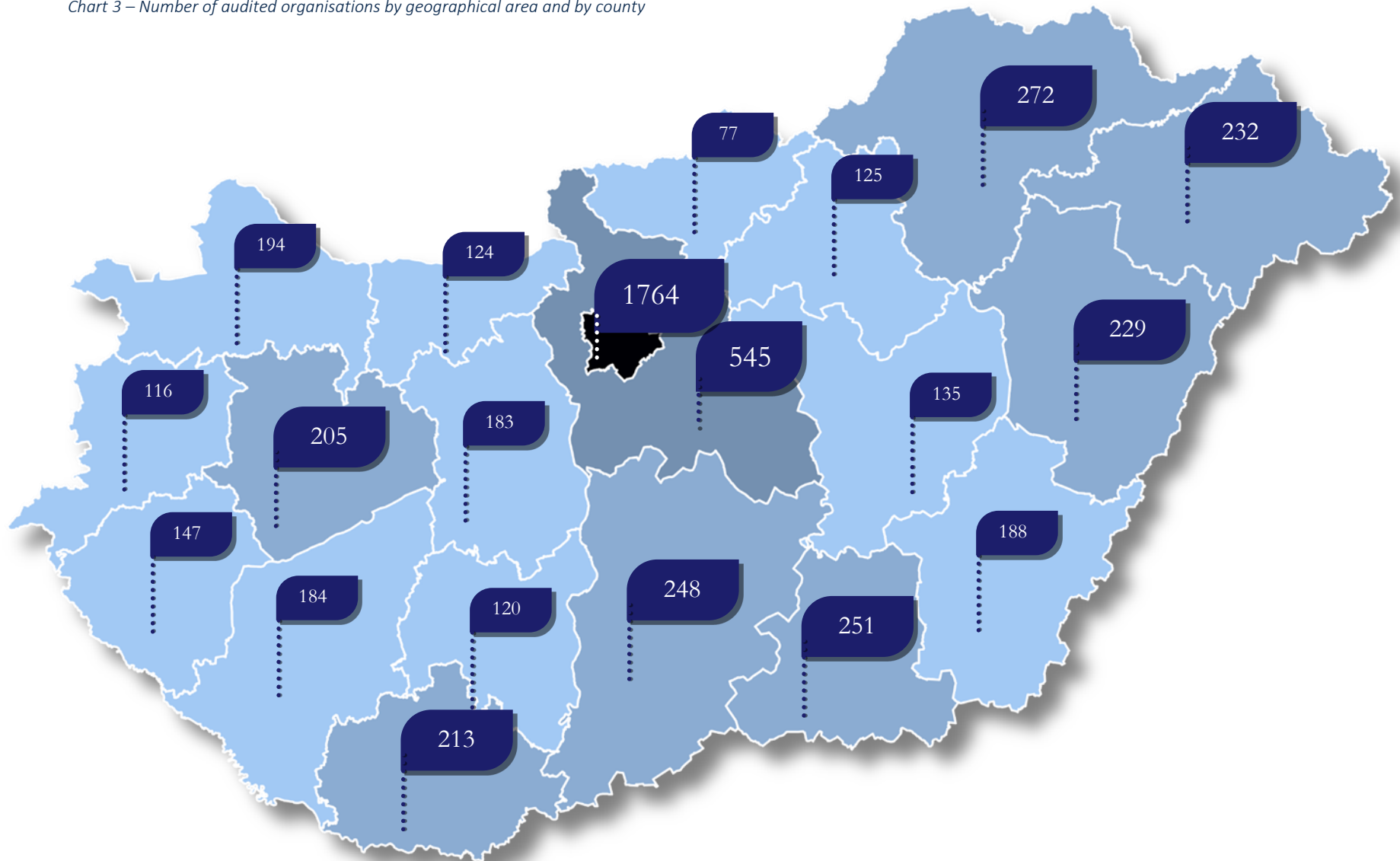


Chart 3 – Number of audited organisations by geographical area and by county



AREAS BENEFITING FROM THE ACTIVITIES OF THE SAO

Chart 4 – Areas benefiting from of the auditing activities of the SAO in 2022



BENEFITS FOR LEGISLATION

OPINIONS ON LEGAL REGULATIONS, PROPOSALS FOR AMENDMENTS

In accordance with the statutory provisions, in 2022 the State Audit Office of Hungary continued to participate in the drafting and opining of legislation concerning its legal status and responsibilities, as well as the operational and accounting rules of public finances and the internal audit of budgetary entities. The SAO sent its opinion to the authors of eight pieces of legislation within the framework of the public administration consultation process. Notable is its advice on Act XXVII of 2022 on the Audit of the Use of EU Budgetary Resources, based on which several comments made by the SAO to strengthen transparency, organisational independence and clarity of standards were incorporated into the draft act.

In addition to implementing the tasks set out in the Act on SAO, in 2022 the State Audit Office of Hungary participated in preliminary technical consultations regarding the government decisions on the deregulation roundtable and the tasks related to cutting red tape.

Based on its audit experience, the SAO initiated legislative amendments in two areas and reported an anomaly in one instance:

- In compliance with its statutory obligation, the State Audit Office of Hungary prepared and published its annual summary report on non-governmental organisations with activities capable of influencing public life. The definition of budgetary support for NGOs was set out in Act CLXXV of 2011 on the Right

of Association, the Public Benefit Status and the Operation and Support of NGOs (hereinafter: “Act on NGOs”) until 30 June 2020, after which Section 2 (15) of the Ectv. was repealed. Government Decree 479/2016 (XII.28.) on the specificities of the reporting and accounting obligations of certain other organisations under the Accounting Act (hereinafter: “Government Decree 479/2016 (XII.28.)”) did not reflect the amendment of the Act on NGOs and continued to refer to its repealed Section 2(15). In order to eliminate this anomaly identified in legislation, the SAO addressed a request to the Ministry of Justice and initiated the amendment of Government Decree 479/2016 (XII.28.); this was supported by the Ministry of Justice.

- The SAO is not listed as a body entitled to initiate judicial oversight procedures in Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings (hereinafter: “Act on Public Companies”) or in Act CLXXXI of 2011 on the Court Registration of NGOs and the Related Procedural Rules (hereinafter: “Act on the Court Registration of NGOs”). The SAO’s experience from its audits suggests that there are good reasons to amend the Act on Public Companies and the Act on the Court Registration of NGOs in order to grant the SAO the direct right to make such requests under circumstances giving rise to a judicial oversight procedure. In the light of this, the State Audit Office of Hungary has requested the Ministry of Justice that such an amendment be added to the provisions of the Act on Public Companies and the Act on the Court Registration of NGOs.

- Based on the SAO’s audit experience, there were several instances where an audited organisation was subject to criminal proceedings and documents relevant to the audits were seized by the investigation authorities, as a result of which the audit environment no longer facilitated the execution of audits. The organisations listed in Section 101(1) of Act XC of 2017 on Criminal Procedure (hereinafter: “Act on Criminal Procedure”) may have access to the case files of proceedings to the extent and for the duration necessary for the performance of their duties as defined by legal regulations. The SAO is not listed among these entities and is therefore not entitled under legislation in force to access the files of criminal proceedings relevant for its activities. Granting the State Audit Office of Hungary the right to view files of proceedings would give it the possibility of obtaining information relevant for its audits. Accordingly, the SAO has requested an amendment of the relevant provisions of the Act on Criminal Procedure.

THE POWER TO AUDIT INSTITUTIONAL ACTORS MANAGING CERTAIN GRANTS

In Government Decision 1540/2022 (XI.15.) on the adoption of the Strategy for Combating Fraud and Corruption in European Union Funds, the Government adopted a strategy aimed at combating fraud and corruption in relation to funds from the European Union (hereinafter: “EU”). The strategy enables the SAO to audit the activities and the financial management of the institutions managing the diverse forms of aid in the context of its audit of the implementation of the national budget, and to carry out risk management, analysis and focused audits to prevent irregularities.

ESTABLISHMENT AND OPERATION OF A DEREGULATION ROUNDTABLE, PROPOSALS FOR DEREGULATION

The Government decided on the establishment and operation of the Deregulation Roundtable (hereinafter: “Roundtable”) by Government Decision 1648/2022 (XII. 22.) on the Deregulation Roundtable. The Roundtable is a forum for consultation, opinion-forming, proposal-making and interest reconciliation supporting the Government’s decision-making on the deregulation of legislation; its aims include reviewing Hungarian legislation from

Inaugural meeting of the Deregulation Roundtable – Source: Hungarian News Agency MTI



the point of view of rational operations, simplifying the regulations governing the operation of the state, and deregulation in terms of the technical and substantive aspects of legislation. The Roundtable is chaired by the Government Commissioner for Deregulation and co-chaired by the President of the SAO.

Based on the findings relating to deregulation during its audits, the State Audit Office of Hungary makes recommendations to the legislator to cut unnecessary red tape and eliminate the over-regulation that makes it difficult to comply with legal regulations. In its audits since October 2022, it has been compiling deregulation proposals by assessing the legislative environment of the audit and the audit findings; it sends such proposals to the legislator and the Roundtable and follows up on the legislative changes introduced as a result.

BENEFITS FOR SOCIETY AND AT THE PROFESSIONAL AND ACADEMIC LEVELS

PUBLIC SCRUTINY

The SAO pays particular attention to the effectiveness of its work, which it communicates in a planned and proactive manner. The State Audit Office of Hungary considers it important to exploit the potential inherent in digitalisation and visualisation, enhance its online communications and engage in a direct, professional and accessible dialogue.

In 2022, the organisational changes over the course of the year were combined with changes in the area of communication as well, with a focus on professionally sound information flows, primarily aimed at the auditees and at target groups within the profession. In the second half of 2022, the SAO started work on revamping its image and website, with the aim of making the conclusions embodied in its audit results and analyses easily accessible through a single channel to the organisations and institutions audited, and to ensure that the professional target audience would be well-informed and prepared.

In 2022, the SAO published its reports and analyses on its website, and facilitated their use by informing the public and the press as well. Thanks to proactive communication by the State Audit Office of Hungary, a total of 4,387 articles on its activities were published in Hungarian-language media, of which 3,094 articles were published online and 488 in the printed press; there were 805 appearances on radio or television. 325 news items were published on the SAO's website and 11 short films were produced to highlight complex issues of societal importance, including integrity, campaigning, eGovernment and energy supply.

In 2022, the State Audit Office of Hungary produced a Public Information Booklet for the general public, in which it presented the benefits for society of its audit, analysis and support activities.

The Financial Awareness Project of the SAO was established in 2016 with the aim of improving financial, public finance and public administration knowledge of the population, and, at the same time, developing attitudes and behaviours related to (public) finance. Over the course of its six years, the project has produced five analyses and two surveys, and staff working as financial literacy ambassadors published 732 articles, and produced 221 videos and 307 Facebook posts. Although the State Audit Office of Hungary considers the development of financial literacy to be of paramount importance and intends to use its resources in the future primarily for proactive communication with the auditees, it handed over its responsibilities in the area of financial awareness and financial literacy to the Money Compass Foundation in November 2022.

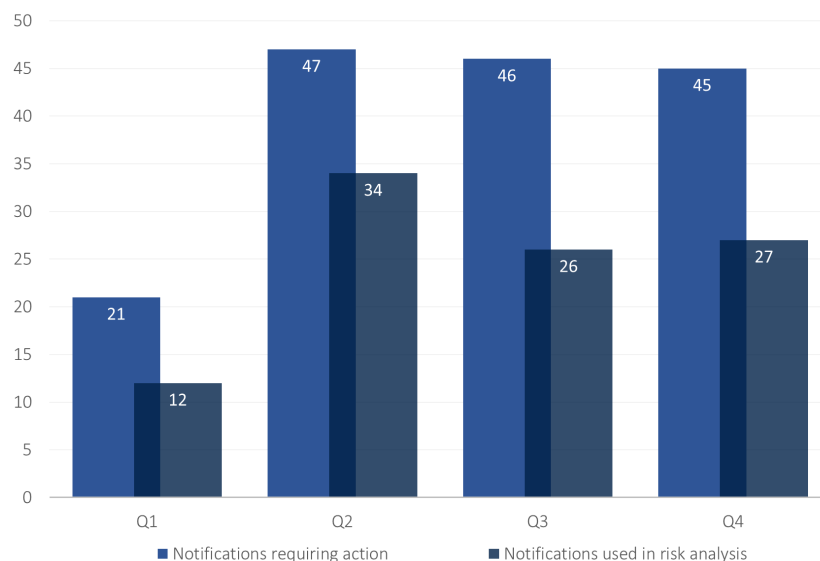
HANDLING AND BENEFITS OF WHISTLEBLOWING AND COMPLAINTS IN THE PUBLIC INTEREST (HEREINAFTER JOINTLY REFERRED TO AS: "NOTIFICATIONS")

In 2022, the SAO received 388 notifications and handled these in accordance with Act CLXV of 2013 on Complaints and Notifications of Public Interest and the SAO's procedures on complaints and notifications of public interest. More than half of all the notifications received during the year were found not to require any action. Among the notifications requiring action, the number of notifications concerning municipal property was higher than the number of

notifications concerning other, mainly state assets, similarly to the experience of prior years.

In accordance with the provisions of Article 23(2)(d) of the Act on SAO, the State Audit Office of Hungary used the relevant part of these notifications in the course of specific risk analysis in its ongoing audits or in planning its audits, as shown in Chart 5.

Chart 5 – Number of notifications used in risk analysis in 2022 Q1-Q4



In order to expand electronic reporting functionalities and to facilitate the use of notifications for risk analysis purposes, the SAO has developed and operates an online reporting platform for notifications of public interest on its website, which was revised in March 2023.

PROFESSIONAL LECTURES, TRAININGS, CONSULTATIONS

In 2022, the State Audit Office of Hungary continued to provide extensive advice to the organisations over which it has auditing powers. In this context, in

the first half of 2022 the SAO organised seven online training courses focusing on the proper use of public funds and transparent operations. Almost 3,000 representatives of institutions, including heads of public bodies and the mayors and notaries of local governments, took part in the training courses. The SAO supported the managers of the audited organisations by summarising the audit experience and sharing the good practices identified.

In 2022, the State Audit Office of Hungary continued to place great emphasis on the development of the culture of integrity and the prevention of corruption, in support of which it organised Integrity Roundtable Knowledge Sharing Days on several occasions, in cooperation with the Hungarian Competition Authority (hereinafter: “GVH”), the Public Procurement Authority, the Curia, the Prosecutor’s Office, the Magyar Nemzeti Bank (the Central Bank of Hungary), the Ministry of Interior (hereinafter: “MoI”) and the NOJ.

INTERNATIONAL COOPERATION, PROFESSIONAL AND PUBLIC ROLE

In 2022, the SAO continued to play an active role in the international community of audit institutions, being a member of the International Organization of Supreme Audit Institutions (hereinafter: “INTOSAI”), where it participates in the activities of 12 committees and subcommittees, including the Professional Standards Committee, the Compliance Audit Subcommittee, the Performance Audit Subcommittee and the Subcommittee on Internal Audit Standards, as well as working groups. The State Audit Office of Hungary participates in the joint efforts of several working groups of the European Organisation of Supreme Audit Institutions (EUROSAI), such as IT, environmental audit, local government audit, ethics network and in several project groups.

The SAO fosters strong strategic relationships with the audit institutions of the Visegrad V4 group of countries plus Austria and Slovenia (hereinafter: “V4+2 Cooperation”). An important objective of the V4+2 Cooperation is to allow the participating audit institutions to coordinate and harmonise their positions ahead

of meetings of the EU Contact Committee, which is composed of the heads of the EU Supreme Audit Institutions (hereinafter: “SAIs”) and the President of the European Court of Auditors.



2022 V4+2 meeting – From left to right: Karol Mitrík, former President of the Supreme Audit Office of the Slovak Republic, Marian Banaś, President of the Supreme Audit Office of Poland, Margit Kraker, President of the Austrian Court of Audit, Mojca Planinšek, Deputy President of the Court of Audit of Slovenia, dr. Monika Karas, Vice President of the State Audit Office of Hungary, and Miloslav Kala, President of the Supreme Audit Office of the Czech Republic

In addition to the strengthening of international relations, it was also a priority for the SAO in 2022 to organise, mostly online, international knowledge exchange forums to share the experiences of the audit institutions of different countries.

INTEGRITY SEMINAR

With its decade-long history, the International Integrity Seminar Programme Series of the SAO aimed to develop and strengthen a culture of integrity-based public administration and transparent government by sharing the best Hungarian and international practices, and thereby support the global fight against corruption. In 2022 the SAO organised an online Integrity Seminar for

the ninth time; the Seminar focused on the resilience of public sector institutions against corruption and around 40 auditors from six countries participated.

DISCUSSIONPOINT QUARTERLY PROGRAMME SERIES

Building on the experience of previous years, the SAO again launched a series of interactive online knowledge exchange events in 2022. The participants of the virtual workshops discussed in depth current topics such as cybersecurity risks and good practices in the operation of audit institutions, methodological developments and the advisory role of SAIs, while workshops provided an opportunity for joint reflection and planning for future cooperation.

EU VAT WORKING GROUP PLENARY AND SUBCOMMITTEE MEETINGS

The objectives of the EU Contact Committee’s VAT Working Group include monitoring changes in the field of VAT, facilitating cooperation between Member States, mapping VAT fraud in the EU and measuring the damage caused by potential fraud and assessing the policies intended to prevent it. In addition, by delivering on its objectives it supports the work of the EU Commission’s Directorate-General Taxation and Customs in the fight against international financial fraud. The SAO has taken part in fulfilling the duties of the Working Group since 2003. In 2022, the State Audit Office of Hungary organised the plenary and two subcommittee meetings of the EU VAT Working Group in an online format, with the participation of the Ministry of Finance and the NTCA. The main topics of the meeting were the digitalisation of VAT collection, as well as the new regulation on e-commerce, which entered into force last year and its results.

PROJECT TO STRENGTHEN THE SAI OF THE DEMOCRATIC REPUBLIC OF THE CONGO (2022-2025)

Launched in early 2022 under the auspices of the INTOSAI Development Initiative, the project aims to develop better and more effective controls at the audit institution of the Democratic Republic of the Congo (DRC). In this project, the SAO supported the review and revision of the Code of Ethics of the

DRC SAI by providing professional assistance. The work started in the spring of 2022 and, in parallel with the revision of the Code of Ethics, the State Audit Office of Hungary organised a series of online ethics-related training courses for Congolese colleagues, supported by the SAIs of Sweden and Tunisia.

JOINT AUDIT RELATED TO THE SUSTAINABLE DEVELOPMENT GOAL ON CLEAN WATER AND SANITATION

In view of the key importance of this issue, SAIs worldwide are devoting increasing resources to auditing areas, infrastructures and public policies related to water management, water resources, flood protection and climate change. In cooperation with the SAIs of Ukraine, Serbia, Croatia and Poland the SAO initiated in 2022 an international coordinated audit in the context of the United Nations Sustainable Development Goal (SDG) on clean water and sanitation. The aim of the cooperation is to publish a joint summary document containing the results of the national performance audits in 2023, summarising the audit findings, the good practices identified, the shared conclusions and the lessons learned.

EXCHANGE OF PROFESSIONAL EXPERIENCES WITH THE TRAINING INSTITUTE OF THE BOARD OF AUDIT AND INSPECTION OF KOREA

In November 2022, the SAO organised a professional consultation with the Training Institute of the Board of Audit and Inspection of the Republic of Korea, with the participation of the managers and experts of the Ministry of Finance Public Internal Financial Audit Methodology and Training Centre, to share their training experiences in the field of the internal financial audit of public finances and to explore mutual training opportunities.

PUBLIC FINANCE QUARTERLY

In 2022, the SAO continued to publish the professional journal Public Finance Quarterly, which has a closely associated website called Public Finance Quarterly Online. In 2022, the journal published four issues and a thematic special issue with papers by distinguished Hungarian and international experts in various fields of economics.

In 2022, the focus of the Public Finance Quarterly was on new advances in the research into financial culture, sustainability challenges, energy and security of supply, central bank digital currency, as well as internal control systems and management science.

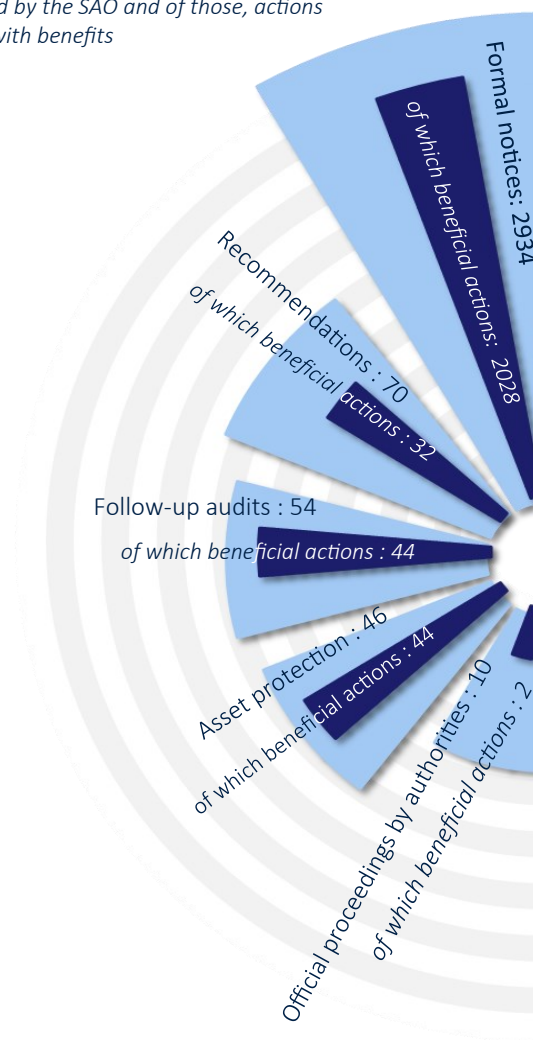
BENEFITS FOR ORGANISATIONS USING PUBLIC FUNDS

The Act on SAO provides the State Audit Office of Hungary with a wide range of tools to exert influence on the auditees in order to ensure the proper use of public funds; these tools include formal notices, recommendations formulated in the SAO's reports, the obligation of auditees to take action in response, follow-up audits and initiating official action by the authorities.

RECOMMENDATIONS, ACTION PLANS AND LETTERS OF FORMAL NOTICE BASED ON FINDINGS REQUIRING ACTION

The 71 reports of the SAO contained a total of 70 recommendations directed to 31 addressees. In accordance with the provisions of the Act on SAO, the managers required to take action prepared and sent their action plans of the measures already taken or planned to the State Audit Office of Hungary in order to remedy the errors and deficiencies in response to the audit findings. The SAO carried out assessments of these action plans. The implementation of the tasks undertaken in the action plans may be subject to follow-up audits by the State Audit Office of Hungary under the Act on SAO. In 2022, the President of the SAO sent calls for action to 2,934 recipients, inviting them to take action in order to terminate the illegal practices, misuse or wasteful use of assets identified during the audit.

Chart 6 – Actions initiated by the SAO and of those, actions completed successfully, with benefits



FOLLOW-UP AUDITS

In 2022, the SAO carried out follow-up audits of 37 proprietary bodies outside public finances performing social/public education tasks and 17 state-owned companies to assess whether the audited organisations had implemented the actions set out in their action plans in order to address the weaknesses and reduce the risks identified in the SAO's reports.

The results of the follow-up audits show that the SAO's previous audit findings were implemented by 44 of the organisations subject to follow-up audits, and that the actions taken to correct the irregularities detected reduced the risk of non-compliance in their operations. The heads of ten organisations did not take action to correct the irregularities or did not implement them in full.

NOTIFICATIONS TO THE AUTHORITIES

Based on the findings of its audits, the State Audit Office of Hungary sent ten notifications/requests to the competent authorities in 2022, five of which concerned the government offices of the capital city or the counties, two concerned the National Election Office, one each the Office of the Prosecutor General, the Pest County Police Headquarters and the NTCA. These notifications addressed the failure to implement the decision of the body of representatives on the closure of a budgetary institution; the judicial oversight procedure concerning the regularity of the powers exercisable in an emergency; the remuneration of the elected officials of the local government in connection with their membership of the Supervisory Board; weaknesses concerning the registration and waiver of receivables; failure to deliver notifications of asset protection measures; suspected budget fraud and money laundering; and issues concerning the interpretation of legal regulations in relation to the accounting of

campaign funds. In 2022, the SAO responded to nine requests for information in relation to criminal proceedings already in progress at the investigation authorities and initiated not on the basis of notifications by the SAO.

INITIATING ASSET PROTECTION MEASURES

The State Audit Office of Hungary initiated the suspension of budgetary support in 46 cases and, with one exception, the suspension of support was lifted within the year following the elimination of the weaknesses identified by the audits. In addition, nine instances of suspension of budgetary support, initiated in previous years, were lifted.

Actions recommended by the SAO achieved their intended goals in 42 cases in the procedures launched in 2022, and the audited organisations concerned demonstrated that they had taken the necessary measures to terminate the asset protection measure and created the conditions for the proper use of public funds. In the case of three organisations, the organisation itself or the public function on which the budgetary support was based had ceased to exist in the meantime.

AUDIT EXPERIENCE

Central level of public finances

Local level of public finances

Organisations outside public finances

State assets management

Advice, assessments

CENTRAL LEVEL OF PUBLIC FINANCES

AUDIT OF THE FINAL ACCOUNTS FOR 2021

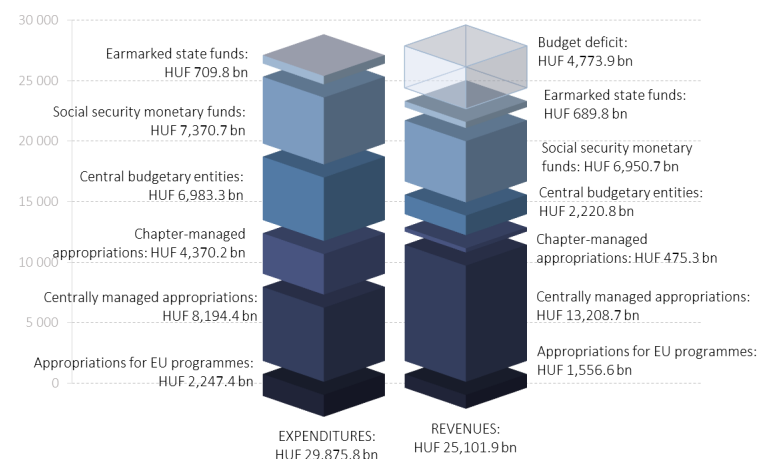
In the course of the audit of the final accounts, the SAO assessed the implementation of the central budget, including central and chapter-managed appropriations, the financial pillars of social security, earmarked state funds and the revenue and expenditure appropriations of the budgetary entities of the central sub-sector of the state budget, as well as the reliability of the revenue and expenditure data of the central sub-sector.

The audit found that the revenue and expenditure appropriations of the central and chapter-managed appropriations in the central sub-sector of the state budget, central budgetary entities, the financial pillars of social security and earmarked state funds presented in the 2021 final accounts bill were reliable and their execution was compliant with the rules; also, the Ministry of Finance prepared the 2021 final accounts bill in a structure and with the content required by legal regulations.

The audit found that the cash deficit of the central sub-sector of the state budget decreased compared to the deficit amount in the previous year. Government sector deficit exceeded the Maastricht criterion of 3.0% of GDP. In order to address the negative impacts of the COVID-19 pandemic, the exemption from the Maastricht criterion was allowed by both EU regulations and the provisions of Act CXCIV of 2011 on the Economic Stability of Hungary (hereinafter: “Economic Stability Act”) for the year 2021 as well.

The audit showed that public debt was in line with the legal requirements. The public debt ratio declined to 76.8% by the end of 2021, significantly better

Chart 7 – Performance figures for revenue and expenditure appropriations of the central sub-sector in 2021 (HUF bn)



than the planned level set out in Act XC of 2020 on the Central Budget of Hungary for 2021.

During the audit, the SAO found weaknesses in the internal regulations, the accounting of economic events, the controls in place before payments are made and the operation of the integrated risk management system. These weaknesses did not reach the level of materiality, so they did not affect the reliability of the

data presented in the Bill on the final accounts or the compliance of the delivery of the central budget as a whole.

AUDIT OF CENTRAL BUDGETARY ENTITIES – UNIVERSITIES SUBJECT TO A CHANGE IN PROPRIETARY BODY

During 2022, the SAO audited 13 universities subject to a change in proprietary body, whose combined balance sheet total amounted to HUF 545.6 billion according to the figures in the final accounts prepared by the budgetary entities.

The State Audit Office of Hungary audited 11 universities for the years 2018-2020 and two universities for the years 2017-2020, as well as for the period prior to the date of the change in proprietary body, assessing whether the universities’ asset management was established and regulated and whether their records of national assets complied with the rules. It also audited the regularity of the universities’ final accounts drawn up at the time of the change in proprietary body, their statements of national assets, and whether the balance sheet was properly supported with inventory lists. At all the universities, the SAO’s audit for the year 2020 covered the determination of performance targets and the associated target values and performance requirements, as well as the measurement and evaluation of the achievement of the targets.

Chart 8 shows the errors and weaknesses identified during the audit, broken down by focal points.

The audit found that the regularity of the asset management of the universities subject to the change in proprietary body was generally sound during the period audited. The universities had accounting policies, and regulations on the valuation, inventory and stocktaking of assets and liabilities, direct cost calculation and financial management regulations, as well as charts of accounts. They laid down rules on the use of vehicles and on any issues concerning the management of materials and assets not covered by the accounting policy.

Chart 8 – Irregularities identified during the audit, by focal points (number of universities)



During the period audited, the universities prepared their annual budget implementation reports. The audit found irregularities in asset reporting at six universities.

In the period audited, eight universities prepared the final accounts required by the accounting rules applicable to public finances as of the balance sheet date preceding the date of the change in proprietary body in accordance with the legal requirements, and compiled the inventory lists to support the balance sheet items and to prepare the accounts.

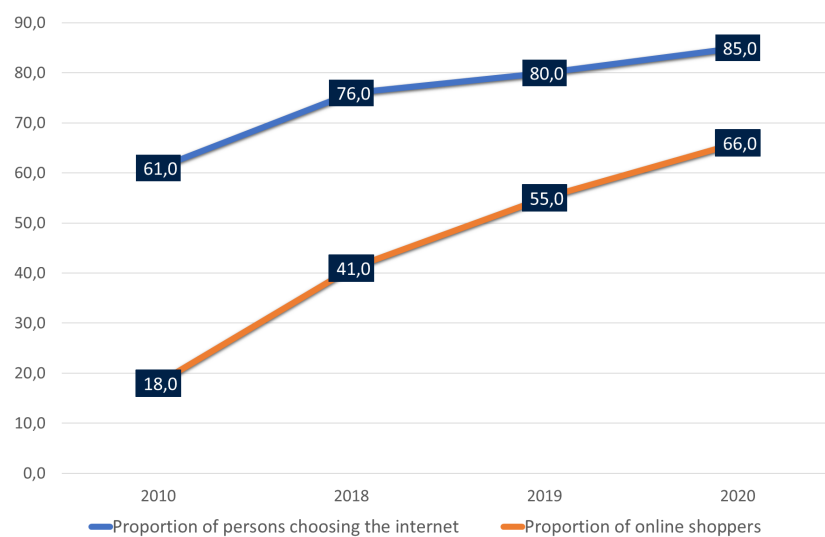
The audit found that five universities had not complied with their legal obligations related to the change in proprietary body, three of them had not provided the auditors with the legally compliant final accounts for the balance sheet date preceding the change in proprietary body, and two universities had not fully supported the final accounts with inventory lists for certain rows of the balance sheet.

All but one of the audited universities subject to change in proprietary body had set organisational performance targets and developed and enforced requirements for measuring organisational performance.

AUDITING ORGANISATIONS OVERSEEING E-COMMERCE IN HUNGARY

The recent boom in e-commerce volumes has had an impact on economic growth, increasing household consumption, and a potential rise in the profitability of businesses, which may increase state budget revenues. The expansion of e-commerce in Hungary between 2010 and 2020 is shown in Chart 9.

Chart 9 – Change in the share of internet users and internet shoppers in the years 2010 to 2020 (%)



The SAO audited how the organisations responsible for e-commerce oversight such as the Competition Authority, the Ministry for Innovation and Technology (hereinafter: “ITM”), the National Authority for Data Protection and Freedom of Information (hereinafter: “NAIH”), the NTCA, the National Food Chain

Safety Office (hereinafter: “NÉBIH”) and the National Institute of Pharmacy and Nutrition (hereinafter: “OGYÉI”) have developed the conditions for the oversight of e-commerce in the years 2019 and 2020.

The audit found that the organisations overseeing e-commerce had established a regulatory framework for their activities to control online trade. They regulated the handling of complaints, notifications and reports from consumers and market operators.

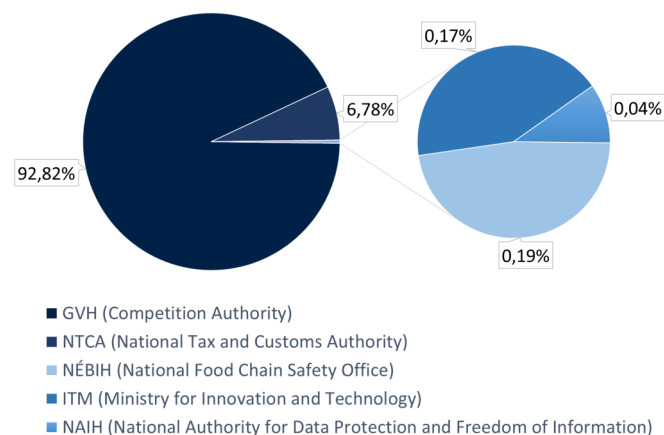
Each organisation carried out its e-commerce audits in a proper manner, initiated the necessary procedures and followed up their checks in accordance with the legal requirements. The number of inspections closed by each organisation and the number of inspections with infringement findings in 2019-2020 are shown in Table 2.

Table 2 – Number of inspections carried out by each organisation and resulting in infringement rulings in 2019-2020 (number)

	NAME	GVH	ITM	NAIH	NTCA	NÉBIH	OGYÉI
2019	Number of audits closed	7	81	18	771	13	-
	Of which, closed with a finding of infringement	3	59	2	140	9	-
2020	Number of audits closed	9	114	55	1733	22	2
	Of which, closed with a finding of infringement	7	74	12	270	9	-

In 2019-2020, five organisations imposed fines in respect of their audits of e-commerce, for a total of HUF 6,685.3 million, of which more than 90.0% were fines imposed by the Competition Authority (GVH). Chart 10 shows the distribution of fines imposed by each oversight body.

Chart 10 – Distribution of fines imposed by each oversight body (%)



NUCLEAR SAFETY AUDIT

The SAO assessed the standard of regulation in the control tasks of the regulator concerning nuclear installations and radioactive waste storage facilities in the years 2018 to 2020, auditing the Hungarian Atomic Energy Authority (hereinafter: “OAH”) as the nuclear regulatory body and nuclear safety authority, the Public Limited Company for Radioactive Waste Management as the body responsible for the planning and reporting activities related to the Nuclear Fund, and the ITM as the managing body of the Nuclear Fund and the body supervising the OAH.

The audit concluded that the regulatory framework of the OAH ensured that the regulatory oversight tasks concerning nuclear installations and radioactive waste storage facilities were carried out in a regulated manner. The entities involved in the management and use of the Central Nuclear Monetary Fund (hereinafter: “KNPA”) have contributed to the proper use of the funds allocated to the KNPA by establishing the regulatory framework. The SAO did not

identify any risks in the performance of the tasks related to the management of the KNPA by the ITM.

The State Audit Office of Hungary had previously audited the OAH’s financial management for the years 2015 to 2018, along with the design and operation of its internal control system and the establishment of performance measurement requirements. Also, it had audited the accounting of the revenues and expenditures of the KNPA’s tasks in the years 2010 to 2013, the compliance of its asset management activities, and the establishment and operation of a control and monitoring system. On the basis of its audit findings, the SAO made three recommendations each to the director-general of the OAH and the managing director of the KNPA, in response to which the audited organisations prepared their action plans. The State Audit Office of Hungary found during its audit that the OAH and the KNPA had implemented the actions set out in their action plans drawn up on the basis of the findings of the previous audit. The OAH took steps to ensure that records are kept of commitments and other payment obligations as required by legal regulations, that the persons exercising financial management powers are duly appointed and authorised, and that measurements, indicators, as well as task and performance indicators are defined.

The KNPA arranged for the amendment and consolidation of the asset management agreement, the creation of a system of accounts as required by legal regulations, and the drafting of a data protection and data security policy that also included procedures on responding to requests for access to data of public interest.

AUDIT OF MILITARY PROCUREMENT

The SAO assessed the design and operation of the internal control system of the Office of Defence Economics at the Ministry of Defence (hereinafter: “MoD ODE”) for the year 2020. The MoD ODE oversees the procurement requirements of defence organisations and the fulfilment of their procurement prohibition exemption obligations in the procurement regarding the Zrínyi 2026

Defence and Military Development Programme with a planned cost of over HUF 3,500 billion.

In its audit of the MoD ODE, the SAO found that the system of controls established and operated ensured the basic conditions necessary for the performance of the supervisory tasks. The control environment was properly designed, providing a regulatory, organisational, accountability and integrity framework for the performance of control functions. The properly designed and operated:

- monitoring system also ensured the follow-up of the implementation of processes and organisational objectives related to the control function,
- risk management system ensured that risks related to the performance of control functions were identified and managed; and
- internal audit activities ensured that errors in control activities were detected, managed and the potential for error minimised.

MONITORING THE COPYRIGHT SYSTEM

The Hungarian Intellectual Property Office (hereinafter: “HIPO”) acts as the authority for the notification of the rights management activities of collective and independent rights management organisations, the authorisation of their collective rights management activities performed as representative collective rights management organisations, the modification and withdrawal of permits, the registration of the organisations, and the supervision of their rights management activities. The evolution of the revenues and expenditures of the HIPO during the period under review is shown in Table 3.

Table 3 – Revenues and expenditures of the HIPO in the period audited, by year (HUF million)

	Revenues	Expenditures
2019	5 558,6	4 832,7
2020	5 154,8	4 622,9

The SAO assessed the regularity of the design of the internal control environment of the HIPO in the years 2019 to 2020, the performance of its tasks and supervisory activities in relation to the collective and independent rights management organisations, the compliance of the determination and accounting of the revenues payable to the HIPO in relation to rights management, and the establishment of measurable and monitorable performance targets and performance requirements at the HIPO. For the years 2018-2019, the State Audit Office of Hungary also assessed whether the collective and independent rights management organisations operated properly and performed their reporting and record-keeping duties in accordance with the rules. The collective rights management organisations received budgetary support of HUF 162.4 million during the period audited.

The audit found that, in the years 2019 and 2020, the HIPO did not establish its operational and organisational framework in a proper manner, and did not define the organisational and operational framework for the performance of its tasks related to independent rights management organisations. It failed to establish its integrated risk management system in 2019 and did not produce an audit trail for the operational processes related to rights management organisations by 30 August 2020.

The SAO did not identify any significant risks in the supervisory activities of the HIPO, but found that it did not comply with the legal requirements in terms of keeping records of the rights management organisations in the years 2019-2020 and in terms of accounting for supervisory fees in 2020.

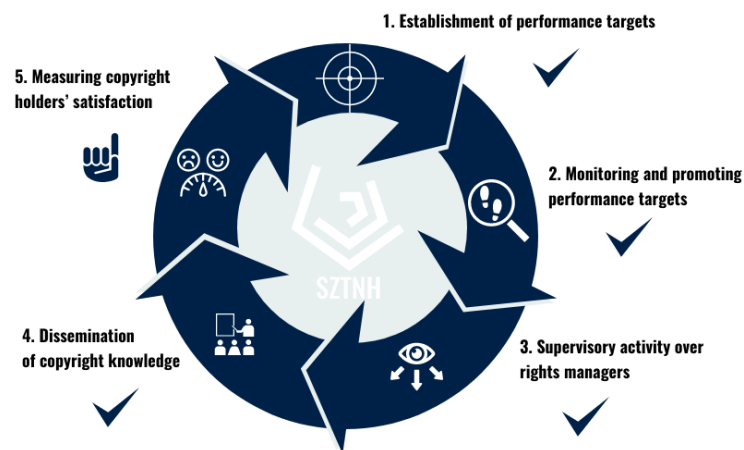
The audit showed that the HIPO established measurable performance targets in 2020 to ensure that organisational performance requirements would be met.

The SAO found that eight rights management organisations did not set up their operating frameworks in a compliant manner in 2019. Seven organisations did not have financial and accounting rules in place to ensure sound financial management, three rights management organisations did not prepare their

annual accounts, and five rights management organisations did not prepare their annual transparency reports.

The compliance audit provided the basis for the performance audit of the delivery of the tasks of rights managers. The findings of the performance audit are summarised in Chart 11.

Chart 11 – Performance audit findings



The audit found that, during the period audited, the HIPO set objectives and requirements, and identified and managed risks in relation to its activities concerning the rights management organisations. Its monitoring activities supported the enforcement of copyright legislation by rights managers. The activities of the HIPO contributed to the dissemination of knowledge on the protection of intellectual property.

AUDIT OF THE HUNGARIAN STATE TREASURY'S PUBLISHED DATA, INFORMATION AND ACTIVITIES RELATED TO THE MANAGEMENT OF ITS STATEMENTS OF ACCOUNTS

Concerning the periods 2020 and the first half of 2021, the SAO audited the design of the management, review, control environment, information and communication frameworks of the data that the State Treasury is required to publish and the data provided in the context of other information supply. The audit also covered the compliance of the Treasury's control, disclosure and reporting activities with regard to the debt stock of entities belonging to the central sub-sector of the state budget and the interim data supplies and reports of the central and local government sub-sectors.

The audit found that the Treasury had established a control environment and information and communication system for the data placed in the public domain or made available under other forms information provision. The Treasury was late, in several instances, to fulfil its statutory obligations related to the publication of the actual revenue and expenditure data of the central and local public finance sub-sectors. It duly complied with its obligation to publish information on the overdue debts of central budgetary entities.

The audit showed that the actual revenue and expenditure data and balances of the local government sub-sector were not audited, contrary to the Treasury's internal regulations. The review of the annual budget implementation reports was duly carried out by the Treasury in the first half of 2021.

The audit found that, in the framework of other information provision, the Treasury provided data on the overdue debts of budgetary entities in the central sub-sector of the state budget based on the data available in the debt stock registration and tracking system.

MONITORING THE PERFORMANCE OF TASKS RELATED TO THE BUDGETARY SUPPORT SYSTEM FOR SPORTS ASSOCIATIONS AND FEDERATIONS

The audit of the SAO covered the performance of tasks related to the 2020 budgetary support provided to sports associations and federations by the now defunct Ministry of Human Capacities, the reporting related to the budgetary support provided, and the activities related to the overseeing of the use of support amounts provided. During the implementation of the 2020 central budget, around HUF 125 billion was paid out to sports associations and federations in sports subsidies.

The audit found that the Ministry of Human Capacities did not always check in its audits of the use of central budgetary support the existence of underlying documents certifying the legal and proper use of the subsidies paid to sports associations and sports federations in 2020, failing to seek proof of their consistency with the summary accounts submitted by the beneficiary organisation. It did not always comply with the requirements concerning the number, value and authenticity features of supporting documents to be included in audits. During its audits, the Ministry of Human Capacities accepted supporting documents as proof of the accounts with endorsements that failed to indicate how much of the amount shown in the supporting document had been charged to the support agreement referred to therein.

AUDIT OF MID-LEVEL GOVERNANCE TASKS

- For the year 2021, the SAO assessed the tasks and mid-level governance functions of the central budgetary entities of the Hungarian Prison Service Headquarters (hereinafter: “BVOP”) and the General Staff of the Hungarian Defence Forces (hereinafter: “General Staff”) as mid-level governance entities, and audited their asset management in the years 2019-2021. In 2021, the combined total expenditure of the two central budgetary entities exceeded HUF 45 billion.

During the audit of the BVOP, the State Audit Office of Hungary found that the BVOP had established accounting rules for the management of its assets in the years 2019-2021. In 2021, the BVOP duly performed the internal audit functions required by its governing body and the mid-level governance functions audited by the SAO. The BVOP set organisational performance targets for 2021 and formulated the performance requirements necessary in order to achieve them.

During the audit of the General Staff, the State Audit Office of Hungary found that, in 2021, the General Staff complied with the rules in performing the tasks delegated to it by its governing body under its management powers and, also the audited financial management tasks it has as a mid-level governance body. In the years 2019-2021, the General Staff had asset management regulations in place and it complied with its reporting obligations.

- In its audit of the General Directorate of Water Management (hereinafter: OVF) as mid-level governance body, the SAO looked at the regularity of the design of the control environment, the rules for the performance of mid-level governance functions, the adequacy of the performance of mid-level governance functions, reporting to its governance body and the design of performance requirements for the year 2020. The State Audit Office of Hungary also assessed the management of the OVF’s assets in the years 2018-2020. The OVF, which manages 12 budgetary entities (regional water directorates) in its capacity as mid-level governance body, had total expenditures in excess of HUF 103 billion in 2020.

The audit found that the OVF had established its organisational and financial management framework in accordance with the legal requirements. It fulfilled its reporting obligations during the period audited. The annual budget implementation reports approved by its managing authority (the Ministry of Interior) were supported by trial balance and inventory documentation. The regularity of its mid-level governance functions, the exercise of the governance powers delegated to the mid-level governance body and the

performance of mid-level governance functions complied with the legal requirements.

The SAO’s audit of the OVF found that it facilitated the proper performance of the public tasks of the budgetary entities under its control by properly discharging its mid-level governance responsibilities, exercising the delegated governance powers in a responsible manner and establishing appropriate performance measurement standards.

AUDIT OF THE NTCA’S ACTIVITIES RELATING TO THE FLAT-RATE TAX OF SMALL TAYPAYERS (KATA), THE SMALL BUSINESS TAX (KIVA) AND ITS OTHER DUTIES

The SAO assessed the performance of the NTCA’s tasks in relation to the taxes KATA and KIVA (hereinafter jointly referred to as: “small taxes”). This involved auditing the establishment and operation of the control system underlying the performance of duties by the NTCA in relation to small taxes and certain other duties for the years 2017-2020, the implementation of the audit procedures in relation to small taxpayers, the collection of KATA and KIVA tax debts of small taxpayers and the confiscation of assets based on court requests, as well as the handling of complaints by small taxpayers in the years 2019-2020.

The growth of small tax revenues from 2017 to 2020 is shown in Chart 12, which demonstrates that KATA tax revenues increased 1.6 times in the period between 2017 and 2020, while KIVA tax revenue grew 3.7 times.

The number of KATA and KIVA taxpayers increased in line with the amount of tax revenues year after year, as shown in Chart 13.

From 2017 to 2020, the number of KATA and KIVA taxpayers showed a 1.7-fold and 3.5-fold increase, respectively.

The audit found that the NTCA properly regulated its activities related to small taxes and carried out tax audits of small taxpayers in accordance with the rules. The audit found weaknesses in terms of the creation of internal regulations on the tasks related to the confiscation of assets based on court requests, the

Chart 12 – Tax receipts from small business taxes by year in the period 2017 to 2020 (HUF bn) – Source: NTCA, SAO own edit (KATA = flat-rate tax of small taxpayers, KIVA = small business tax)

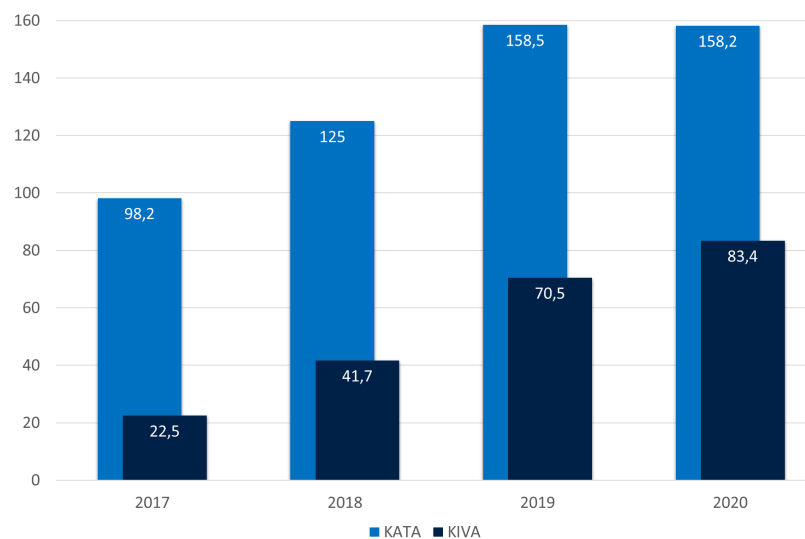
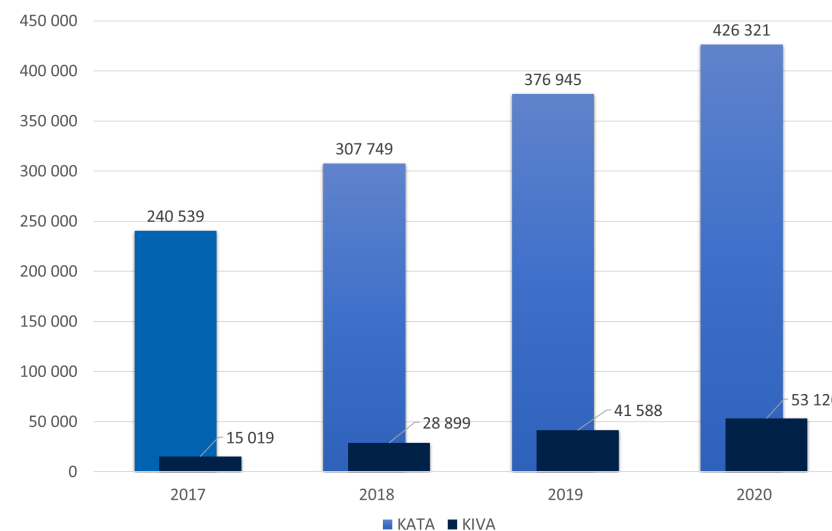


Chart 13 – The number of small taxpayers in the years 2017 to 2020 (number of persons) – Source: NTCA, SAO own edit



keeping of a register of small taxpayer complaints and the execution of confiscations.

The SAO also conducted a performance audit to assess the contribution of the NTCA's taxation activities in all tax categories to the growth of tax revenues and the successful performance of the NTCA's tax-related tasks in the years 2017 to 2020.

During the audit, the State Audit Office of Hungary found that the NTCA had been successful in carrying out its taxation duties in the period between 2017 and 2020. The NTCA contributed to the increase in tax revenues between 2017 and 2020 through the effective performance of its arrears management activities, the introduction and use of digital tools, the effectiveness of its tax administration audits, and the implementation of measures to encourage taxpayers in fulfilling their obligations and to strengthen tax awareness.

AUDIT OF THE PERFORMANCE OF THE MANAGEMENT AND OWNERSHIP FUNCTIONS OF BUDGETARY ENTITIES

In 2020, the budgetary chapter of the Ministry of Interior spent HUF 1,250.8 billion and exercised governance powers over 214 organisations. The SAO assessed the performance of the management and ownership functions of the MoI for the year 2020. The establishment of the conditions for performance measurement was also audited, within the context of the delivery of the management and ownership duties of the MoI.

The audit by the State Audit Office of Hungary found that, in its capacity as body performing management and ownership functions, the Ministry of Interior duly performed its management and ownership functions in relation to the budgetary entities subject to its oversight and the companies under its ownership during the period audited. It always acted in accordance with legal regulations when winding up budgetary entities under its governance.

The MoI was compliant with the rules when exercising its control powers over the budgetary institutions under its governance, approving their elementary budgets and annual budget implementation reports for 2019, and it carried out audits at several budgetary entities under its control. It exercised its powers as employer of the managers of the managed entities in a compliant manner, setting performance requirements for managers as required by legal regulations.

The MoI developed performance measurement criteria to gauge the effectiveness of its governance activities and its exercise of ownership rights.

MONITORING THE EFFECTIVENESS OF THE USE OF RESOURCES FOR RESEARCH, DEVELOPMENT AND INNOVATION

The purpose of the performance audit was to assess whether the measures planned and implemented had contributed to national income through their impact on economic growth and to the achievement of the objectives of the National Strategy for Research, Development and Innovation.

The audit revealed that the objectives to be achieved through budgetary support in the area of research, development and innovation for the years 2013-2019 had been defined. The outcomes of the R&D and innovation activities were measured and evaluated, and the evaluation results showed that the activities supported the achievement of the strategic objectives.

LOCAL LEVEL OF PUBLIC FINANCES

AUDITS OF THE REVISION OF THE MUNICIPAL REGULATIONS ON THE DISTRIBUTION OF REVENUES TO BE SHARED BETWEEN THE MUNICIPALITY OF BUDAPEST AND THE DISTRICT MUNICIPALITIES IN 2021 AND 2022

Based on the provisions of Act CXXXIII of 2006 on the sharing of resources between the Municipality of Budapest and the District Municipalities (hereinafter: “Act on Resource Sharing”), the SAO audited the regularity of the sharing of revenues between the Municipality of Budapest and the District Municipalities, as well as the regularity of the determination and accounting of expenditures related to local taxation.

During the audit of the 2021 revenue sharing between the Municipality of Budapest and the district municipalities, the SAO found that the process of

preparing the 2021 resource sharing decree of the Municipality of Budapest Capital City at the Mayor’s Office was not regulated.

There was a failure to establish a clear organisational structure in line with the organisational and procedures manual (for a properly regulated and compliant preparation of the resource sharing decree) and a failure to draw up internal regulations ensuring the transparency of processes.

During the audit of the sharing of 2022 revenues between the Municipality of Budapest and the district municipalities, the SAO found that the process of drafting the 2022 resource sharing decree of the Municipality of Budapest was compliant with the provisions of the Act on Resource Sharing, and that compliance with the rules was safeguarded within that process.

Table 4 – Planned amount of revenues and expenditures to be shared in the Resource Sharing Decree in 2021 and 2022

Revenues/expenditures to be shared (HUF million)	Amount of resources to be shared (100%)		Share of Budapest (54%)		Share of districts (46%)	
	2021	2022	2021	2022	2021	2022
Local business tax	258 000,0	310 000,0	139 320,0	167 400,0	118 680,0	142 600,0
Assigned tourist tax	9	8	4,9	4,3	4,1	3,7
Surcharges, fines	450	1 200,0	243	648	207	552
Total	258 459,0	311 208,0	139 567,9	168 052,3	118 891,1	143 155,7
Expenditures relating to collection of local taxes	374,4	472,4	202,2	255,1	172,2	217,3

The audits revealed that the establishment and accounting of revenues and expenditures taken into account for the allocation of resources were compliant with the rules and that there was no need for corrections.

The SAO made two recommendations to the Chief Notary Public of the mayor's office regarding the review of the 2021 Resource Sharing Decree and four recommendations regarding the 2022 Decree.

MONITORING THE OPERATION AND FINANCIAL MANAGEMENT OF REGIONAL DEVELOPMENT COUNCILS (HEREINAFTER: RDC)

For the years 2018-2020, the SAO assessed the operation, financial management and effectiveness of the eight operating RDCs whose expenditures amounted to at least HUF 1 billion; these were M9, Szigetköz – Upper Danube Region, Lake Balaton, Lake Tisza, Duna-Tisza Interfluvium Sand Ridge, Danube Bend, Tokaj Wine Region, Lake Velence and its region, Váli Valley and Vértes. The operational areas of the eight operating RDCs are shown in Chart 14.

The SAO's assessment revealed that the chairs of seven RDCs had put in place the necessary organisational and operational conditions, but only one out of eight councils was able to evidence the establishment of a financial management and regulatory framework compliant with the rules.

Chart 14 – The audited regional development councils



The audit found that in 2018-2020, the RDCs did not fully perform their planning and reporting tasks related to regional development. Seven RDCs failed to set up proper control environments for financial management. In the absence of relevant policies, three RDCs were unable to demonstrate whether they had acted in accordance with the rules on the exercise of financial management control activities when making and accounting for payments. Weaknesses in the recording of commitments and the certification of payments posed a risk to the regularity of performing payments and accounting processes at two RDCs.

The audit showed that the effectiveness of the activities of the RDCs can be strengthened by setting objectives related to the delivery of their tasks, monitoring their achievement and measuring the benefits of the activities.

AUDITING THE FINANCIAL AND ASSET MANAGEMENT OF LOCAL GOVERNMENTS AND LOCAL GOVERNMENT OFFICES

- In 2022, the SAO conducted audits, in several stages, on the implementation of expenditure payments reported under cash flows and the accounting of such expenditures at a total of 18 audited local governments and local government offices, focusing on the year 2020. The audited local governments and local government offices paid a total of HUF 4.7 billion in expenditures in the audited period.

The audits found multiple irregularities in the 2020 expenditures and payments at 17 of the audited organisations. Deficiencies were identified in the delivery of commitments and the certification of execution, as well as the recording of commitments in the case of certain audited payments.

The audits showed that nine of the audited 2020 annual budget reports were not signed by those responsible for their preparation, thus lacking managerial accountability, and one organisation did not have a 2020 annual budget report at all.

The SAO's audit found that the asset registers of eight of the organisations audited did not give a true and fair view of their assets or the changes in their

assets, because not all the assets included in their register of tangible assets were in fact physically present.

The State Audit Office of Hungary called on the audited organisations to take action in order to correct the irregularities identified.

- The SAO's audit of asset management in 2020 at 45 local governments and the local government offices responsible for their financial management assessed the accounting of changes in assets, the use and commercialisation of assets and their tracking and monitoring, in order to identify the future risks inherent in asset management. The audited organisations had a balance sheet total of HUF 320.7 billion.

The audit found that the regulatory framework for asset management had been established in the local governments audited, and that the representative bodies had drafted decrees on the assets of the local governments and the rules of asset management. In accordance with the legal requirements, the local governments established internal rules for financial management, in particular procedures for commitments and performance certification, and designated the persons responsible for financial management.

The audit revealed that the audited local governments had complied with their annual reporting obligations. 17 local governments were unable to demonstrate that they had prepared their statutory statements of assets and liabilities, while ten local governments provided the audit with statements of assets and liabilities for the annual final accounts in which the breakdown of the local governments' assets and liabilities was not compliant with the statutory requirements.

The implementation of certain decisions related to asset management for the year 2020, the performance of the related control tasks and the registration in the accounting records of economic events resulting in changes in assets were audited in 29 local governments. In the course of its audits, the SAO found deficiencies in relation to evidencing the putting into service of assets, and failures to certify performance upon tangible asset purchases and/or investment projects, as well as failures to register the liabilities arising from purchases. Of the local governments audited, five complied with their obligations in these

areas, 20 local governments took action already during the audits or reported planned actions in order to correct the weaknesses identified in the audit process in relation to economic events; there are remaining weaknesses at four local governments.

- In its audit of the adequacy of the financial and asset management of the Local Government of Halásztelek in the years 2017-2019, the SAO assessed the regularity of the Local Government’s financial management based on its compliance with the rules in terms of the regularity of its asset management, its stock-taking of assets, accounting of economic events and regularity of cash management.

The audit found that the local government had established the regulatory frameworks for its financial and asset management. By the end of the audited period, regularity was achieved in the accounting records supporting the balance sheet items in the budget implementation reports. The SAO did not identify any risks in its auditing of the areas of the sale and use of assets, investment projects, renovations, the practical implementation of investment decisions, or the exercise of ownership rights. The audited organisation had established the conditions for operating with integrity.

ORGANISATIONAL PERFORMANCE AUDIT OF LOCAL GOVERNMENT OFFICES

The SAO conducted performance audits of 20 local government offices for the year 2020 to assess whether they had established measurable and monitorable performance targets and requirements to ensure effectiveness and efficiency, and whether they measured and evaluated progress versus performance targets. In the year under review the selected offices had paid a total of HUF 6.1 billion in expenditures.

The audit revealed that organisational performance targets were set by the local government general assemblies of five of the local government offices, the notary at one office and by both the assembly and the notary at three offices. The organisational performance targets and requirements of the offices

Chart 15 – Results of the organisational performance audit at local government offices



included, among other things, streamlining the administrative processes and the operation of the offices, reducing costs, collecting own revenues and tax revenues more efficiently, and increasing the resources available for grants.

Two offices used indicators to measure the achievement of performance targets. They measured and evaluated the collection rate of local taxes, the evolution in the number of documents in arrears in terms of the effort to meet administrative deadlines, the number of appeals concerning the professionalism of decisions

and the number of referrals returned for correction or revision in terms of legality and other aspects.

Although not using indicators, two other offices assessed delivery against targets. In total, nine local government offices took steps to develop organisational performance requirements, and measure and evaluate performance targets in order to meet the requirements of productivity and efficiency.

AUDIT OF CERTAIN CONTROL ORGANISATIONS SERVING AS A SECOND LINE OF DEFENCE IN THE AUDIT OF LOCAL GOVERNMENTS

The SAO audited the Government Office of Budapest Capital City and 19 county government offices in terms of the fulfilment of their duty of exercising judicial oversight over local governments, in respect of the years 2019-2020.

The audit found that the government offices had set objectives and sub-objectives for their judicial oversight of local governments in their institutional work plans. Their work plans also set out the results and deadlines for the implementation of the tasks; the heads of the government offices produced the relevant reports. The government offices met their objectives in terms of their judicial oversight of the local governments.

The audit found that the government offices carried out their judicial oversight of the local governments in accordance with the provisions laid down by legal regulations.

AUDIT OF LOCAL GOVERNMENT-OWNED COMPANIES

- The SAO audited 14 local government-owned companies in terms of the risks of situations emerging that might endanger the preservation of their assets for the year 2020, and it audited their annual accounts for the year 2019; the combined balance sheet total of these companies was HUF 5.2 billion in 2020.

The State Audit Office of Hungary identified a risk of loss of assets at ten companies and required action from their chief executives in order to prevent such loss and to protect national assets. Following the SAO's formal notice, four company managers took steps to reduce the risks to asset preservation. Three company executives did not respond to the notice, and three others failed to take appropriate action to mitigate the risks identified.

The SAO also sent calls for action to the owners of companies in order to reduce the residual risks of the companies, strengthen the management of risks related to the preservation of assets, remedy the weaknesses identified during the audit and thus strengthen ownership controls over the companies.

- The State Audit Office of Hungary assessed the financial situation of 104 out of the 105 companies with majority ownership by local governments in nine cities with county rights for the years 2018-2020. The conditions for auditability were not available at one company. The audited balance sheet totals of the companies amounted to HUF 564.8 billion in total in the period.

The audit found that the companies complied with their annual reporting obligations. They produced the notes to their accounts as part of their annual reports. 68 out of the 71 companies required to prepare an annual report at the same time as the annual accounts have done so.

According to the indicators based on the information available on past economic activity, such as debt ratio, debt coverage, profitability versus revenue, indebtedness ratio and debt coverage ratio, the audit did not identify any risks to financial stability at 26 companies in the years 2018-2019 and at 34 companies in 2020.

The audit concluded from 2020 data that 70 companies would need to carry out self-assessments concerning certain risks to financial stability based on a management decision. Of the 70, three companies entered liquidation after the audit started and one company was dissolved. The audit did not extend to identifying individual risks.

The audit drew attention to the potential risks to financial stability; the companies may wish to assess these in the specific areas and decide on the necessary actions to be taken at their own discretion.

- The SAO audited the establishment and operation of a framework for exercising ownership rights at five local government-owned companies. This involved auditing the adoption of the annual accounts of the companies owned by local governments for the year 2020 and the management of the national assets entrusted to asset management in the years 2018-2020.

The SAO's audit found that three local governments had established regulatory frameworks for the exercise of ownership rights in accordance with the legal requirements.

Two local governments exercised ownership rights over companies in compliance with the legal and internal regulations in 2018-2020.

The State Audit Office of Hungary asked the heads of three local governments to draw up action plans addressing the findings of the report in order to correct the irregularities in the future.

AUDITS OF LOCAL GOVERNMENT INSTITUTIONS

- The State Audit Office of Hungary audited the regularity of the organisational framework, operation and financial management of 11 institutions under the governance of local governments, as well as the establishment of integrity controls and the development of the basic conditions for measuring organisational performance, in relation to the management declaration for 2021 in accordance with Annex 1 of Government Decree 370/2011 (XII. 31.) on the internal audit system and internal audit of budgetary entities (hereinafter: "Internal Controls Decree") and its supporting evidence for 2020.

The SAO's audit found that action by the heads of the institutions was necessary to reduce the risks at 11 institutions. One institution had deficiencies in the area of statutory controls, nine institutions had deficiencies in the area of statutory

and non-statutory integrity controls and one institution had deficiencies in the area of non-statutory integrity controls.

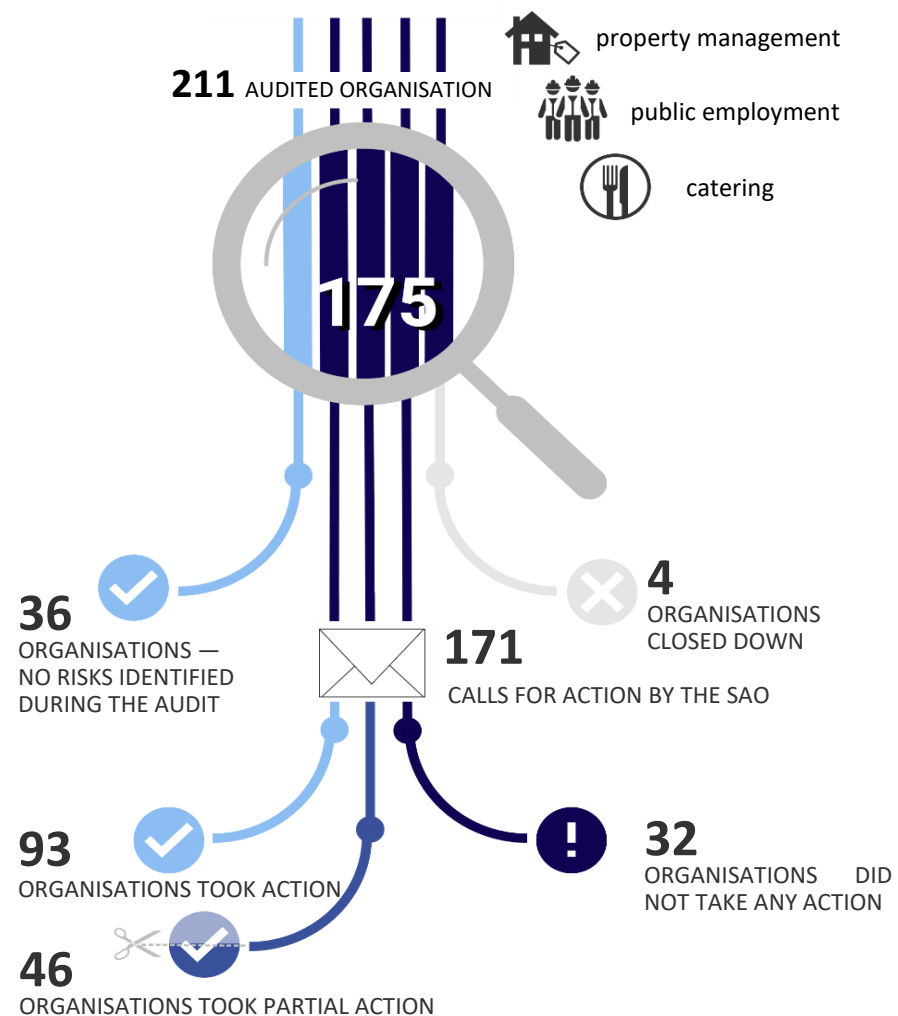
During the SAO's audit, two heads of institutions took action in terms of the controls required by legislation and three in the area of integrity controls not required by legislation.

The audit found that eight institutions needed to adopt further measures to introduce or expand the conditions to ensure integrity.

- The State Audit Office of Hungary carried out an audit of the functioning of certain elements of the integrity and internal control systems of 211 local governments in 2019, namely the control environment, the essential elements of control activities and the establishment of an integrated risk management system. During the audit, the SAO identified risks in the operation and financial management of the majority of the institutions, such as a lack of certification for the institution's internal control system, and weaknesses in the design of the organisational and operational framework and the regulatory environment for financial management.

The SAO sent calls for action to 171 institutions for the elimination of the errors and weaknesses identified. 93 institutions have taken action in response to the calls for action, as shown in Chart 16.

Chart 16 – Results of actions by local government institutions in response to calls for action



ORGANISATIONS OUTSIDE PUBLIC FINANCES

AUDITING THE FINANCIAL MANAGEMENT OF PARTY FOUNDATIONS

The State Audit Office of Hungary is required by law to audit the legality of the financial management of party foundations every two years. In the year 2022, the SAO audited five party foundations (the Foundation for a Better Hungary, the Progressive Hungary Foundation, the Foundation for a New Republic, the Táncsics Mihály Foundation and the Ecopolis Foundation), which received a total of HUF 3.0 billion in budgetary support.

The SAO audited the Foundations' financial management, the regulation of their accounting procedures and the compliance of their practices with such regulations, and their fulfilment of the obligation to present annual accounts and annual reports on the Foundations' activities.

The audit revealed that the Foundation for a Better Hungary did not fulfil its annual reporting obligations set out in legal regulations in the years 2019 and 2020, and that it did not comply with the legal and internal requirements in its accounting and financial management.

In 2019-2020, the Foundation for the New Republic did not comply with the legal and internal regulations in its accounting and financial management, and it did not fulfil its annual reporting obligations in 2019.

The Progressive Hungary Foundation first provided the regulatory framework for its financial management on 30 October 2020, and it did not comply with the legal and internal regulations in its accounting and financial management in 2019.

On the basis of its findings, the SAO made four recommendations to the Chairman of the Board of Trustees of the Foundation for the New Republic, and one recommendation each to the Chairman of the Board of Trustees of the Foundation for a Better Hungary and the Chairman of the Board of Trustees of the Progressive Hungary Foundation.

During the audit of the Táncsics Mihály Foundation and the Ecopolis Foundation, the SAO found that their financial management complied with legal regulations in the years 2019-2020.

AUDITING PUBLIC BODIES

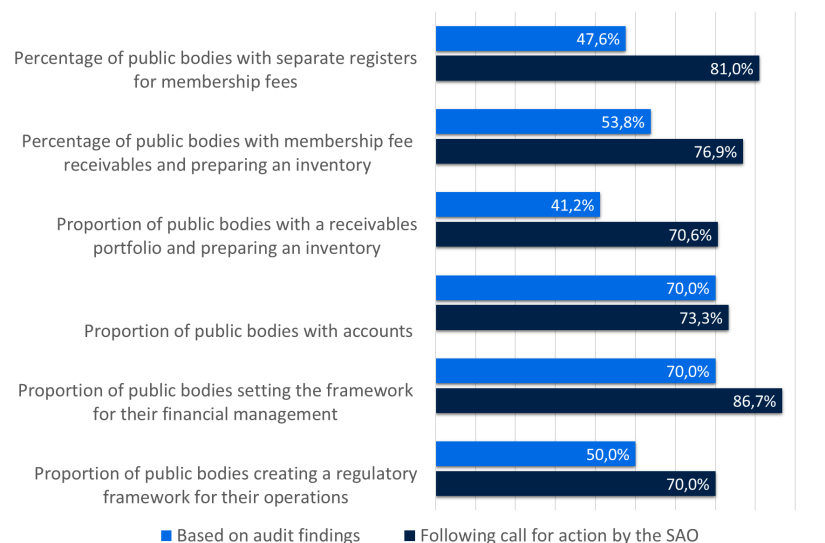
The SAO assessed the regularity of the operation and financial management of the 30 public bodies not included in the register of the National Office for the Judiciary (the Hungarian Bar Association and its regional organisations, the Hungarian Chamber of Notaries and its regional organisations, the Hungarian Chamber of Patent Attorneys, the Hungarian Bar of Court Executives, the Hungarian Chamber of Legal Experts) for the year 2021, and their operation and management for the financial year ending with the last accounting report.

The audit found that 15 public bodies had statutes that complied with the legislation, which included the name, registered office and purpose or core activity of the public body, and that they had registered with the tax authority in accordance with legal regulations. 14 public bodies did not have statutes, and five of them had not registered with the tax authorities.

The regulatory framework for financial management was developed by 21 public bodies. Of the 30 public bodies, 21 had produced annual accounts. Six each of

the 17 the public bodies with receivables and the 13 public bodies with membership fee receivables arranged for inventories to be taken. Ten out of the 21 public bodies with membership fee revenues traced these amounts on separate accounts. Following calls for action from the SAO, 20 public bodies initiated positive changes regarding the way they regulate the correct use of resources, as shown in Chart 17. Two public bodies did not take action in response to the SAO's calls for action.

Chart 17 – Positive changes at the audited public bodies following a call for action



AUDITS OF SPORTS ASSOCIATIONS AND SPORTS FEDERATIONS

For the year 2020, the SAO audited 26 sports federations and 346 sports associations to check whether they had in place regulations as required by Act C of 2000 on Accounting (hereinafter: “Accounting Act”), as well as the existence of annual accounts and of separate accounting records regarding the use of support. The amount of grants paid to these organisations exceeded HUF 50.0 billion in the audited period.

The audit found that 89.8% of the 26 sports federations and 346 sports associations had an accounting policy, a cash management policy and a system of accounts in place during the period audited. Four sports clubs did not have an accounting policy, three sports clubs did not have a cash management policy and 31 sports clubs using double-entry bookkeeping did not have a system of accounts.

Five of the 25 sports federations and 125 of the 256 sports associations using double-entry bookkeeping did not enclose notes with their 2020 accounts, even though this is required by legal regulations.

Documents relating to the separate accounting of grants were not available at two sports federations and 90 sports associations. 28 sports clubs were missing documents to support their separate accounting records of grant receipts to offset the costs and expenditures of their core operations, four sports clubs were missing such documentation relating to the use of grants from the central budget, and six sports associations regarding that of grants received from local government.

Further, 77 sports associations and two sports federations did not have documentation on a dedicated set of accounts for tracking the grants they received as compensation for their costs and expenses, even though such separate accounting records would have allowed the identification and verification of the use of the grants.

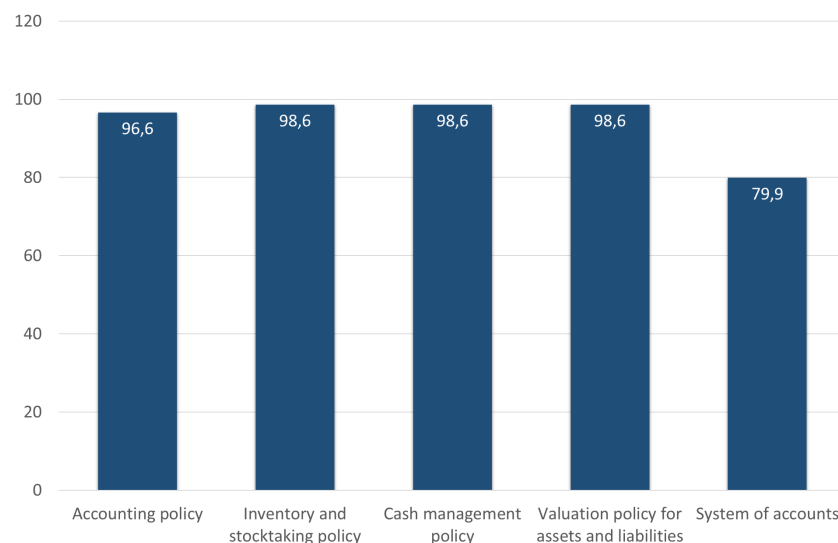
AUDIT OF FOUNDATIONS

The SAO audited 293 foundations to see whether they had accounting rules in place, kept separate accounts for grants received from the public finances and fulfilled their obligation to draw up annual accounts. In total, the audited organisations had been awarded more than HUF 20 billion in budgetary support in 2022.

In the course of its audits the SAO found that, for the year 2022, 72.7% of the foundations audited had accounting rules in place that were drawn up in

accordance with the statutory requirements. The proportion of accounting policies in place is shown in Chart 18.

Chart 18 – Percentage of accounting policies in place (%)



81.0% of foundations complied with their legal obligation to record the grants received from public finances on dedicated separate accounts. 96.0% of foundations complied with their obligation to prepare their accounting report for 2020. 31.5% of the foundations using double-entry bookkeeping did not prepare and include with their accounting report the legally required notes to the report.

In response to the SAO’s call for action, 61.0% of the foundations concerned took action or reported plans to take action following the audit.

AUDITING THE USE OF GOVERNMENT SUBSIDIES RECEIVED BY THE PROPRIETARY BODIES OUTSIDE PUBLIC FINANCES OF INSTITUTIONS AND SERVICE PROVIDERS PROVIDING PUBLIC EDUCATION AND/OR SOCIAL HUMAN SERVICES

- The SAO audited 684 proprietary bodies to check whether the proprietary body prepared the accounting regulations required by legal regulations for the year 2022.

In addition to revealing an absence of accounting regulations, the SAO found a number of other weaknesses during its audits, concerning substantive elements of the accounting rules required by the Accounting Act.

69.0% of the 552 non-governmental human service provider proprietary bodies had an accounting policy and the related rules and system of accounts in place, even though all are required by legal regulations to do so, and only 6.0% of the proprietary bodies had accounting rules that contained all the mandatory elements required by legal regulations.

As a result of the actions taken by the proprietary bodies during the audit, the percentage of proprietary bodies with legally compliant accounting rules increased from 6.0% to 64.0%.

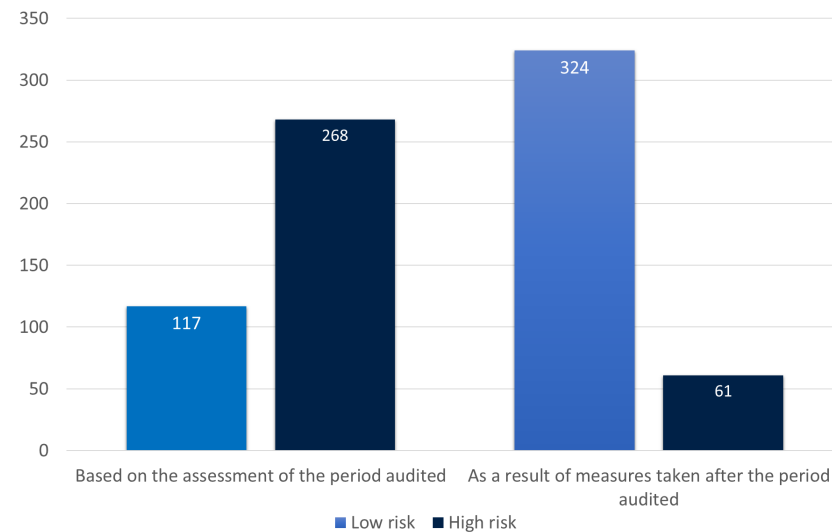
The SAO identified as good practice the fact that the proprietary bodies of 102 non-governmental human service providers, despite not being legally required to do so, produced accounting policies and the related rules and regulations and system of accounts, and established the regulatory framework for keeping their books.

- The State Audit Office of Hungary audited 385 proprietary bodies concerning those years in the period between 2017 and 2019 in which the proprietary body received and/or used public funding for the purposes of public education and/or social services. The objective of the audit was to assess whether the proprietary body ensured that the public funds were used in accordance with the regulations. The audited organisations received a total of HUF 32.3 billion in

budgetary support during the period audited. The SAO's audit found a number of weaknesses in the regularity of accounting rules, in fulfilling reporting obligations and in the keeping of separate accounts to evidence the absorption of the budgetary support in compliance with the stated purpose.

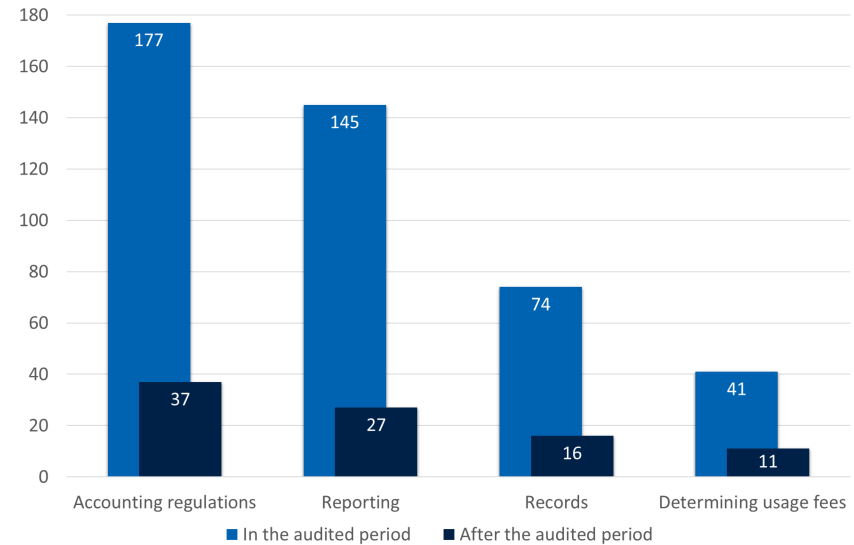
Based on the assessment of the financial management of the 385 proprietary bodies in the period audited, 117 proprietary bodies were low risk and 268 were high risk. The risk levels changed following the call for action sent during the audit; this change is shown in Chart 19.

Chart 19 – Risk level based on the assessment of the period audited and the impact of the measures taken after the period audited (number of proprietary bodies)



After the period audited, the measures taken in response to the SAO's call for action meant that the financial management of 324 proprietary bodies was reduced to a low level of risk with regard to the performance of public tasks and the accountability and transparency of public funds received for such public duties, with the level of identified risks having decreased significantly, as shown in Chart 20.

Chart 20 – Number of proprietary bodies exhibiting deficiencies during vs after the period audited (number of entities)



EVALUATION OF NON-GOVERNMENTAL ORGANISATIONS WITH ACTIVITIES CAPABLE OF INFLUENCING PUBLIC LIFE

Based on the authorisation granted to it under Section 5 (11) (e) of the Act on SAO, the State Audit Office of Hungary publishes an annual summary report on the associations and foundations subject to Act XLIX of 2021, as provided for in that Act. The range of non-governmental organisations with activities capable of influencing public life is defined by Act XLIX of 2021 and the Act on NGOs. on the basis of the balance sheet total. The category includes associations and foundations registered in Hungary whose balance sheet total for the year under review exceeds HUF 20 million. The organisations not covered by the Act are listed in the Act in a limited manner; these include public foundations, party foundations, political parties, trade unions and mutual insurance associations, religious communities, sports federations, and minority associations and foundations. NGOs engaged in activities that are capable of influencing public life fall into the category of other organisations as defined in the Accounting

Act; their financial management framework must be based on the provisions of the Accounting Act, and their rules must be prepared accordingly.

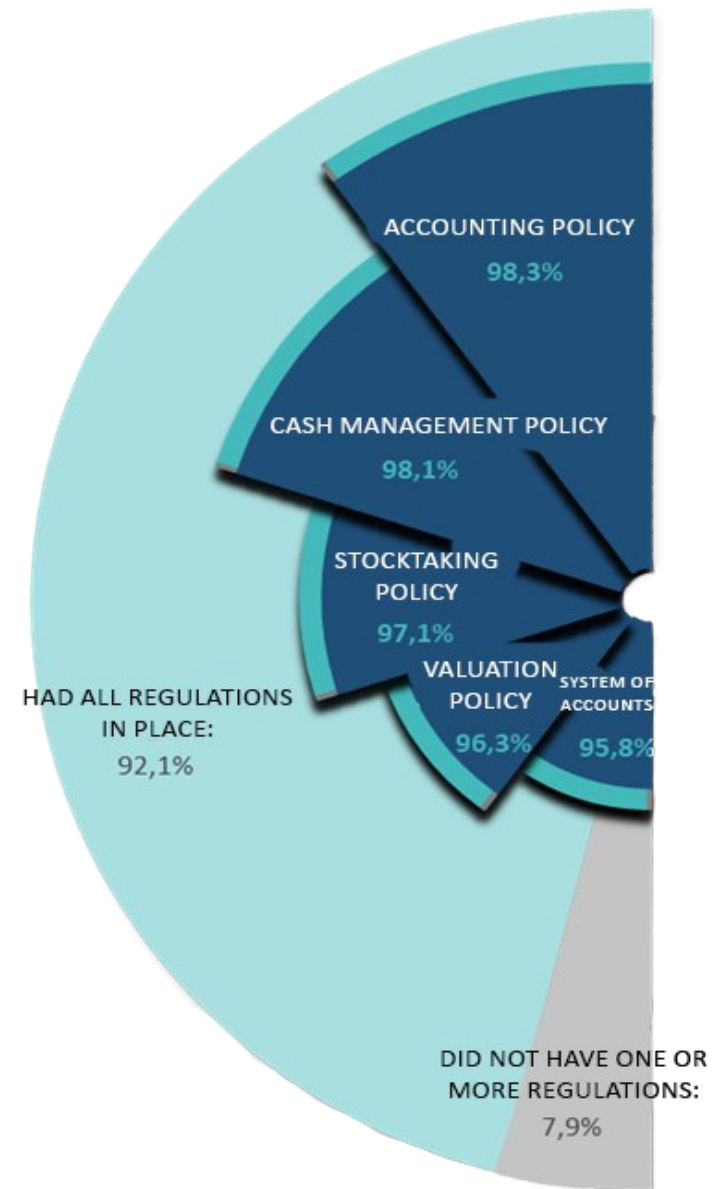
In December 2022, the SAO complied with its statutory obligation by publishing a summary report on 2,764 NGOs operating in 2022 in the form of associations or foundations. For the year 2022, the SAO assessed whether the NGOs carrying out activities that can influence public life had established their statutory accounting rules, given that the preparation of such rules is a fundamental precondition for transparent and legally compliant financial management. The organisations audited by the State Audit Office of Hungary based on the balance sheet total for the year were selected on the basis of data provided by the NGOs.

Prior to the preparation of this summary, the SAO provided technical assistance to NGOs in order to help them achieve compliance and regularity in their operations. As part of this, in spring 2022, while informing the public, it made available on its website a series of voluntary, non-mandatory and legally non-binding set of test questions (self-assessment tests), which NGOs were able to use in order to assess in advance their compliance with the accounting rules. The State Audit Office of Hungary also organised a training course on this subject for the heads of NGOs. With all these tools, the SAO aims to contribute to the proper and orderly functioning of non-governmental organisations.

The results showed that, in 2022, 92.1% of NGOs (2,545 NGOs) had in place the accounting regulations required by the Accounting Act. 7.9% of the 2,764 NGOs (219 NGOs) had not prepared the rules and regulations required by the Accounting Act, as shown in Chart 21. One organisation had multiple weaknesses.

48 NGOs did not have an accounting policy, 106 NGOs did not have a system of accounts, 80 NGOs did not have an inventory policy for assets and liabilities, 103 NGOs did not have a valuation policy for assets and liabilities, 53 NGOs did not have a cash management policy. Of the 2,549 NGOs using double-entry

Chart 21 – Percentage of NGOs with individual regulations in place (%)



bookkeeping and obligated to have a system of accounts, 95.8% (2,443 NGOs) did in fact have a system of accounts in place.

The purpose of drafting the summary was to highlight the deficiencies identified by the SAO in relation to the regulations required in the Accounting Act, where NGOs fell short of the legal provisions in terms of having such regulations in place, and what regulations were, partly or largely, missing. Based on its findings, the SAO pointed out in its summary that the preparation of accounting reports that present a true and accurate view of the assets, liabilities, financial position and income of NGOs capable of influencing public life is a fundamental condition for the proper functioning of NGOs, and that they must comply with the statutory accounting rules.

Based on its experience gained from its audits, the SAO initiated the amendment of Act XLIX of 2021, so that the objective definition of the scope of auditable entities is not based on their balance sheet totals but on the other income figure in the case of entities using double-entry bookkeeping and the amount of income paid in the case of single-entry entities.

The State Audit Office of Hungary intends to build on the results of the summary to further assist with the development of a legally compliant framework for the operation of NGOs. In this context, the SAO plans to revise the self-assessment questionnaire on accounting regulations and, based on the authorisation received in the amended Act on SAO in force since 1 January 2023, to publish on its website the recommendations of the President of the State Audit Office of Hungary, which can be used by NGOs to develop and update their regulatory environments.



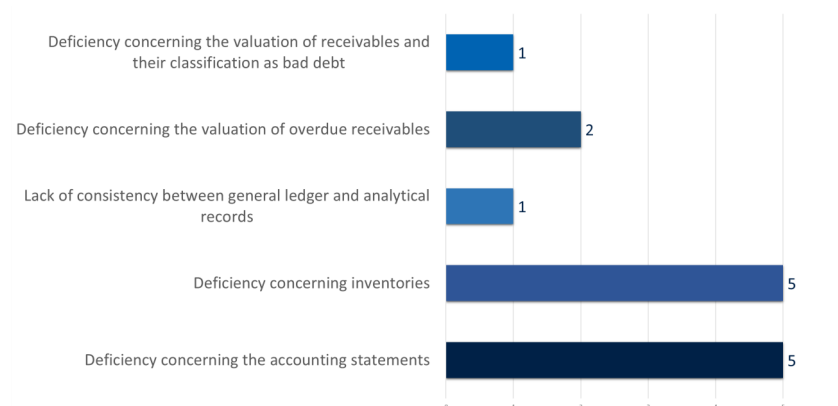
STATE ASSETS MANAGEMENT

AUDIT OF STATE-OWNED COMPANIES

• The SAO audited 18 majority state-owned companies with the aim of safeguarding their solvency for 2020 and focusing on revenue recognition and taking measures regarding receivables management. The total value of receivables recorded by the audited organisations in 2020 was HUF 88.3 billion.

Of the 18 companies audited by the SAO, four had a low risk associated with revenue collection and settlement, and 14 had a high associated risk due to the weaknesses identified, as shown in Chart 22.

Chart 22 – Weaknesses of companies classified as high risk (number of companies)



The SAO drew the attention of the managers of the 14 companies identified as high risk to the obligation to correct the weaknesses and errors identified. In response, four company managers took action to reduce risks.

The State Audit Office of Hungary drew up one recommendation for each of the companies where findings requiring action remained, addressing these to their managers holding power of representation.

• For the years 2018-2020, the SAO audited 19 state-owned companies focusing on the areas of asset management that posed a risk to the reliability and authenticity of asset reporting information. The combined balance sheet total of the audited companies amounted to HUF 10,246.7 billion in 2018-2020.

The audit found that 13 companies were at high risk in 2020 for not having legally compliant accounting reports, for the following reasons:

- the accounts of one company were not approved by its supreme body,
- the accounts of two companies did not include the mandatory notes, and
- ten companies did not compile an inventory list to support the balance sheet items in their accounts; such an inventory list is to contain the assets and liabilities at the balance sheet date in a verifiable and itemised manner, showing both quantity and value.

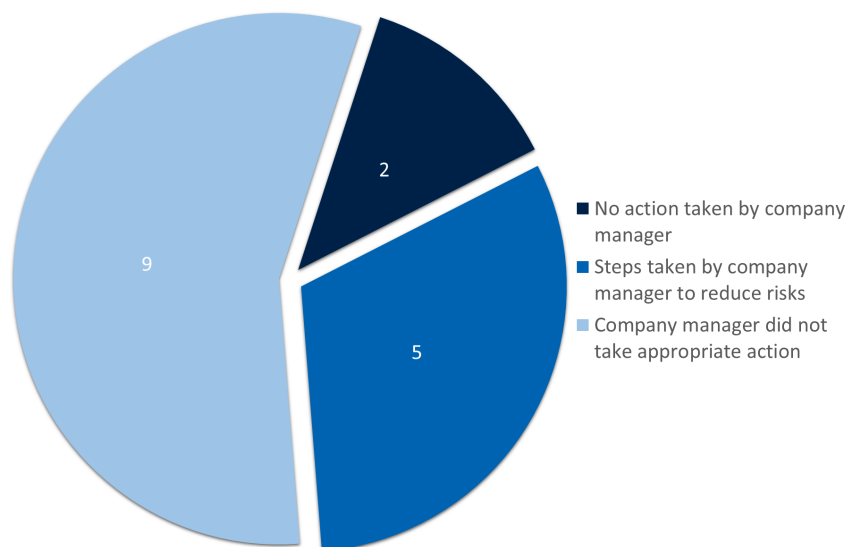
Three companies were rated as medium risk by the audit, on the following grounds: the accounts of one company were decided on by the company's supreme organ, the supervisory body, in the absence of a written report from

the supervisory board, and two companies entered data in their accounting records on the basis of an incorrectly issued supporting document.

During the audit, measurable performance targets and performance requirements were established for five out of the six companies covered by the Internal Controls Decree.

Based on the audit findings, action by the companies' chief executives were required at 16 state-owned companies; the results are shown in Chart 23.

Chart 23 – Impact of the measures taken in response to the calls for action in the case of the 16 companies (number of companies)



During the audit, the SAO communicated its formal notice to the executives of these 16 companies. The managers of five companies took action to reduce risks. Nine companies did not take adequate action to mitigate the risks identified. The executives of two companies did not respond to the call for action.

- In the case of 23 companies in majority and/or full national ownership, the SAO assessed the measurable and monitorable performance targets set for 2020 within their financial management processes, the definition of their targets and performance requirements, as well as the measurement, evaluation and monitoring of the achievement of the targets. The balance sheet total of the companies concerned amounted to HUF 10,820.1 billion in the audited period.

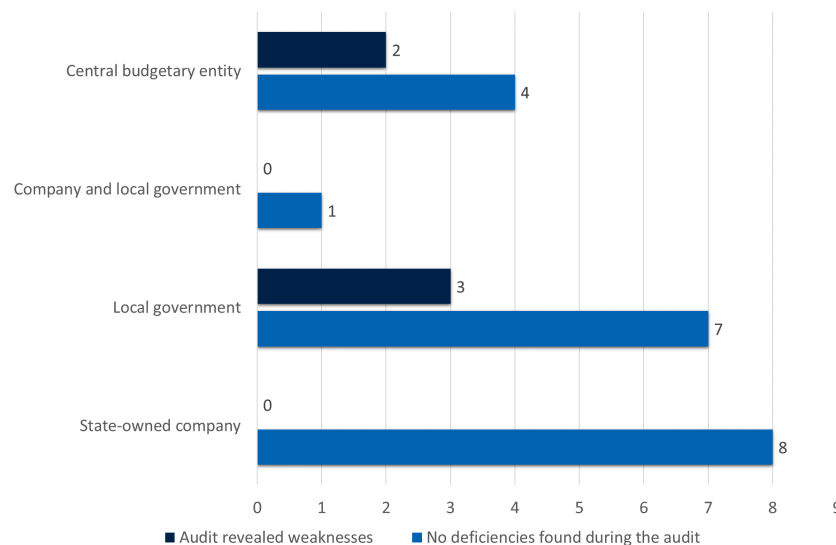
The audit found that 23 companies had set organisational performance targets for 2020 in their business plans or otherwise. 17 companies also had short-, medium and/or long-term strategies. 21 companies had expected objectives set for them by the entity exercising ownership rights, which the companies took into account in their effort to achieve organisational results. The companies measured and evaluated the achievement of performance targets. In order to strengthen performance, 22 companies also have a performance appraisal and/or performance incentive system in place. 20 companies assessed and identified the risks inherent in their processes that threaten the achievement of their organisational objectives. 20 companies carried out monitoring activities that included tracking performance and/or determining the methods for data and information exchange and information flow.

AUDITING THE PREPARATIONS FOR MAJOR INVESTMENTS

- The SAO looked at 25 major investment projects to examine whether the organisation making the preparations for the investment had established an organisational and financial management framework and internal controls to manage risks and thus to support the proper execution of the preparatory tasks and reduce the risks associated with the preparation of the investment. The weaknesses of each preparing organisation identified by auditing the preparatory documents are summarised in Chart 24.

Eight of the 25 investments were prepared by state-owned companies. Ten investments were prepared by local governments; in one project a company also participated alongside the local government. A central budgetary entity was designated as the preparatory body in six investments.

Chart 24 – Weaknesses found during the audit of the pre-investment documents (number)



In the case of the investments of the state-owned companies and the investments jointly prepared by a company and a local government, the audit found no weaknesses at the organisation in the design of controls supporting the preparation of the investments.

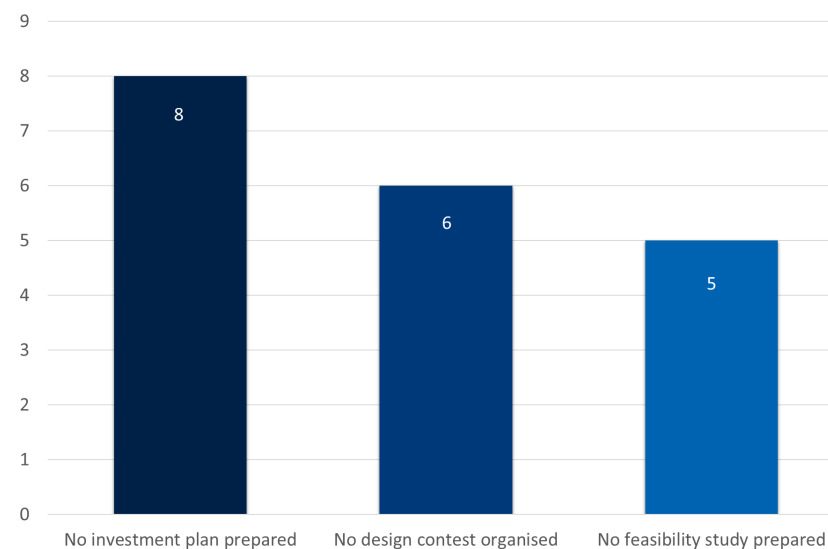
The audit identified weaknesses in three of the ten investments prepared by local governments. Two preparatory organisations did not have an audit trail for their investment tasks, despite the relevant legal requirements, one did not have a public procurement policy or a register of signatures and persons authorised to accept commitments and certify performance, and one did not have a procedure for handling incidents that breach organisational integrity.

The audit identified weaknesses in two of the six investments under preparation by central budgetary entities. One preparatory organisation did not have an audit trail or a register of signature specimens and persons authorised to accept commitments and certify performance, despite the legal requirements.

A preparatory organisation had detailed financial management procedures, but these did not comply with the legal requirements.

The existence of the preparatory documents, feasibility studies, investment plans, programmes and documents evidencing the execution of the design contest, as required by the legislation, was audited in the case of ten investment projects. Five of the ten investments did not have feasibility studies, eight investments did not have investment plans and six investments were not put out to a design contest despite the legal requirement to do so (Chart 25). The SAO made recommendations to address the weaknesses found in three organisations.

Chart 25 – Weaknesses found during the audit of the pre-investment documents (audited)



- The SAO carried out audits on ten major investments in 2022, focusing on investment preparation to ensure the effective implementation of investments financed with public funds. Within the framework of its audits, the State Audit Office of Hungary assessed the regularity and integrity of investments at the pre-decision stage.

The audit found that the pre-decision processes of eight capital investment projects were in order. Internal regulations were in place at the relevant organisations performing the preparation of investments to ensure proper investment preparation. In one other project, international treaties were duly announced and the organisation preparing the project had internal regulations in place and operated monitoring and reporting processes. In one investment project, the aid agreement terms were not yet settled during the period audited.

The audit found that, among the preparatory phases for the implementation of investments, the maintenance and operational model as well as the area of cost and time estimation phases were in need of improvement in case of four investment projects. Appropriate contracts were concluded during the preparatory phase of the investments.

The SAO communicated the weaknesses identified in the investment preparation phases to the relevant organisations and made recommendations to mitigate integrity risks based on an assessment of appropriateness criteria.

All but one of the investment preparation organisations took action to adjust their preparatory phases in order to create a maintenance and operational model and cost and time estimates, and took steps to set up and operate a monitoring system and a risk management system to ensure the follow-up of investments.

OPINION

Opinion on the 2023 central budget

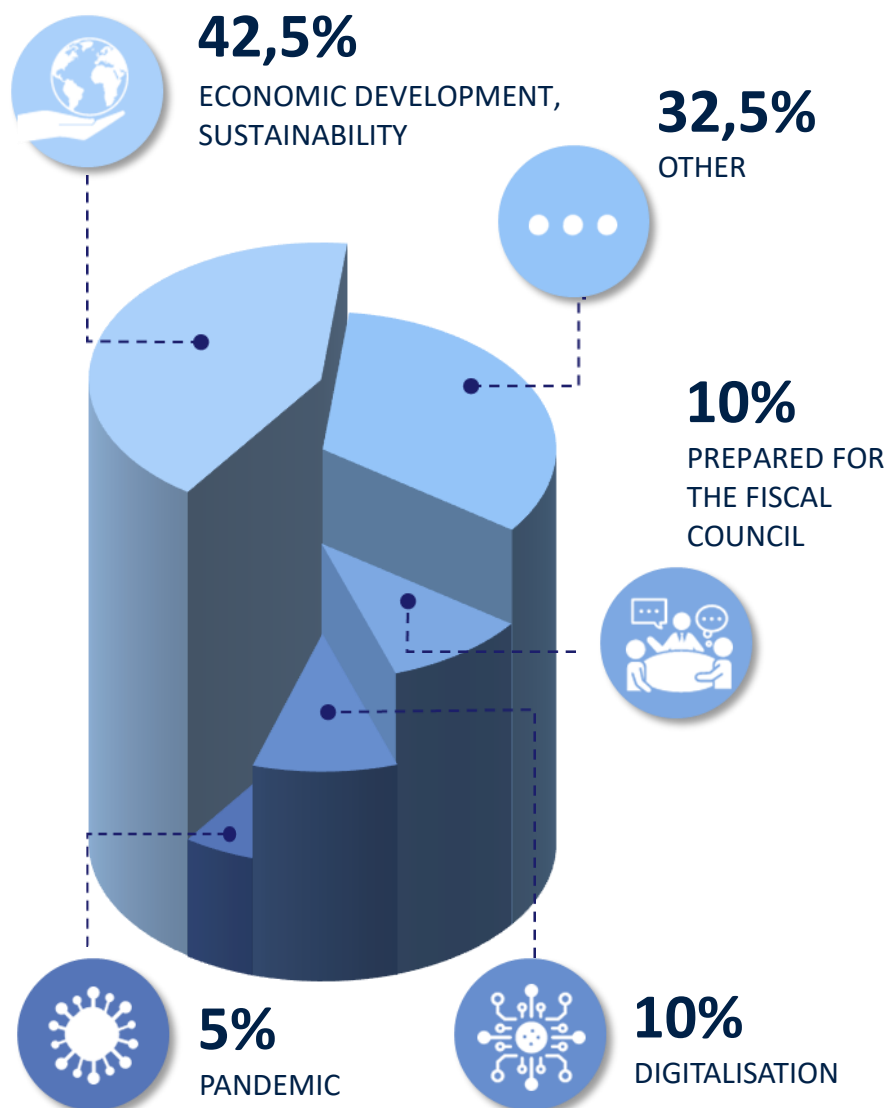
In 2022, the SAO also issued an opinion on the 2023 Budget Bill, pointing out the risks contained therein. It found the Bill had been drafted in accordance with the legal requirements. There was consistency between the Bill and the Convergence Programme. The constitutional obligation to reduce the public debt ratio was met. The planned total expenditure of the central budget for 2023 was HUF 33,425.8 billion, while the planned total revenue was HUF 31,073.7 billion.



CONCLUSIONS FROM ANALYSIS

- Analyses supporting the work of the Fiscal Council
- Analyses to assess the sustainability of economic growth
- Analyses assessing the impact of the pandemic on public services
- Analyses assessing the consequences of digitalisation
- Other analyses

Chart 26 – Distribution of analyses



ANALYSES SUPPORTING THE WORK OF THE FISCAL COUNCIL

Pursuant to Article 23(2) of the Economic Stability Act, the SAO assists the President of the State Audit Office of Hungary in discharging his duties as member of the Fiscal Council by supplying to the Fiscal Council analyses related to the issues on its agenda. In 2022, the SAO carried out 40 analyses under Article 5(13) of the Act on SAO, four of which directly and 12 indirectly supported the work of the Fiscal Council in the performance of its duties.

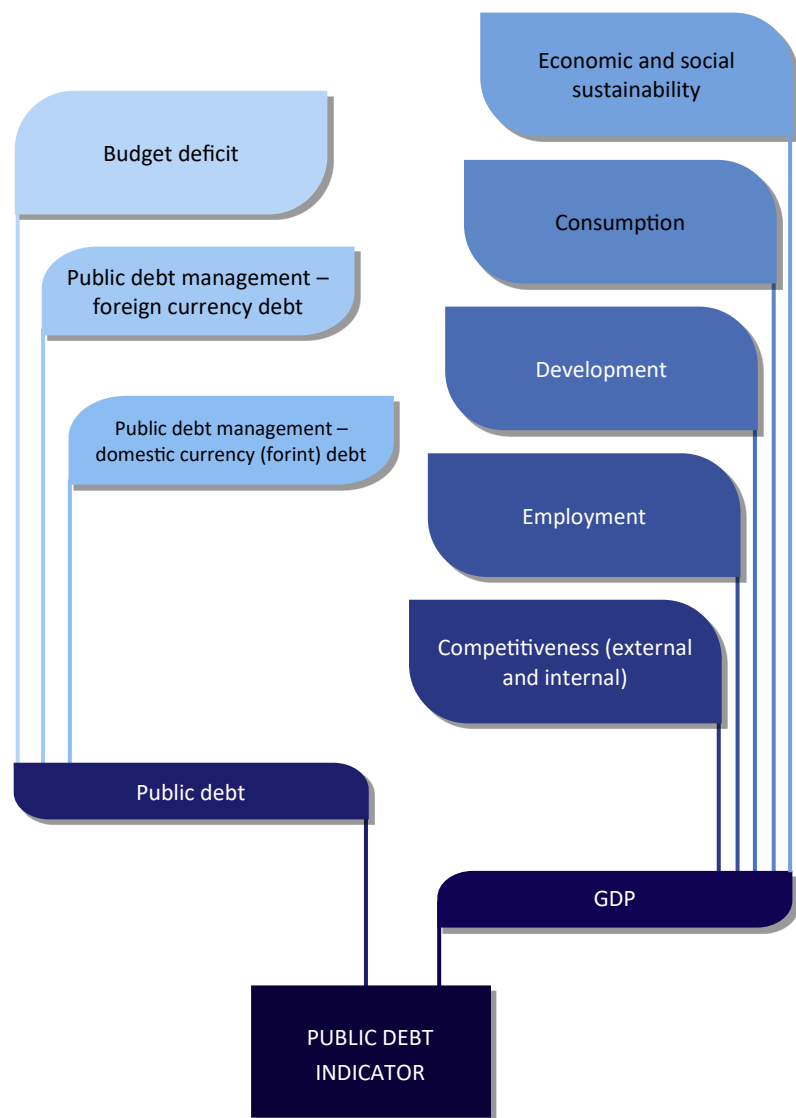
Among the analyses directly supporting the work of the Fiscal Council, the analysis carried out for the final vote on the Bill on the 2023 central budget of Hungary, based on Article 25 of the Economic Stability Act assessed the enforcement of the public debt rule, reviewed whether the amendments and legislative changes to the Budget Bill, as proposed for adoption, put compliance with the public debt rule at risk. The analysis highlighted that the summary amendments adopted by the Budget Committee do not affect the public debt indicator nor do they prevent compliance with the public debt rule under the proposed Bill on the 2023 central budget.

The Fiscal Council assesses the state of implementation of the Budget every six months. In compliance with its statutory obligation, the SAO prepared its analysis of the trends of the second half of 2021 and the first half of 2022, through which it helped the Fiscal Council formulate an informed opinion.

Based on the preliminary cash flow data on budget implementation, the analysis of the figures of the second half of 2021 showed the main items for which the implementation of the Bill deviated from the adopted legal appropriations, assessed whether these deviations jeopardised compliance with the public debt rule, and identified the main correlations between macroeconomic and budgetary developments.

The analysis of the budgetary developments in the first half of 2022 compared planned and actual figures in the key budgetary appropriations, identified the reasons for any significant deviations and the risks concerning compliance with the public debt rule.

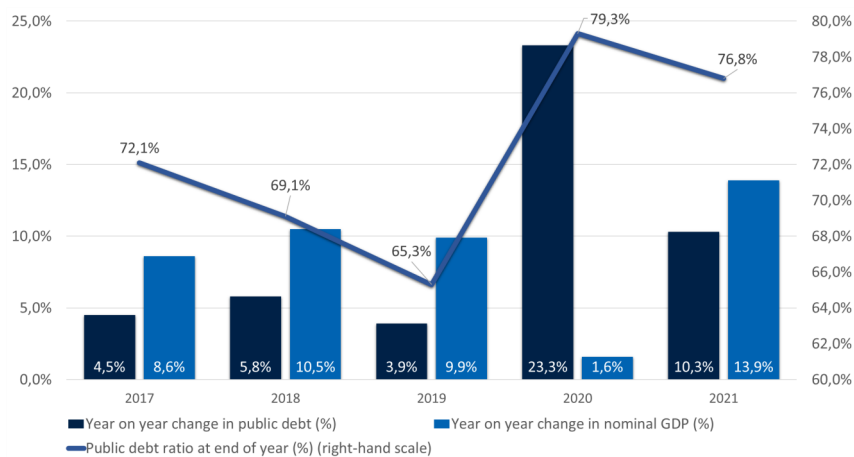
Chart 27 – Two forks in the value tree of the public debt indicator



At the end of December 2022, the Government adopted Government Decree 613/2022 (XII.29.) on the different emergency rules for the central budget of Hungary for 2023, which was reviewed by the Fiscal Council under Article 4 of Government Decree 504/2022 (XII.8.) on the emergency rules for the provisions different from the central budget of Hungary, and concluded that the public debt rule would be complied with under the proposed rules. The SAO also helped the Fiscal Council draft its opinion and resolution by carrying out calculations, writing drafts and sharing its experience from its professional audits.

In the fourth quarter of 2022, the SAO published its audit analysis of the final accounts, which revealed the impact of macroeconomic changes on budget revenue and expenditure and on the evolution of the public debt ratio over a five-year time horizon, as shown in Chart 28.

Chart 28 – Year-on-year change in public debt and nominal GDP and evolution of the public debt ratio in the period 2017-2021 (%)



Around half of the SAO’s 2022 analyses covered specific topics; in addition to an analysis of audit findings, they focused on three broad themes overall, namely

the sustainability of economic growth, the impact of the pandemic and digitalisation.

CONCLUSIONS FROM THE ANALYSES ASSESSING THE SUSTAINABILITY OF ECONOMIC GROWTH

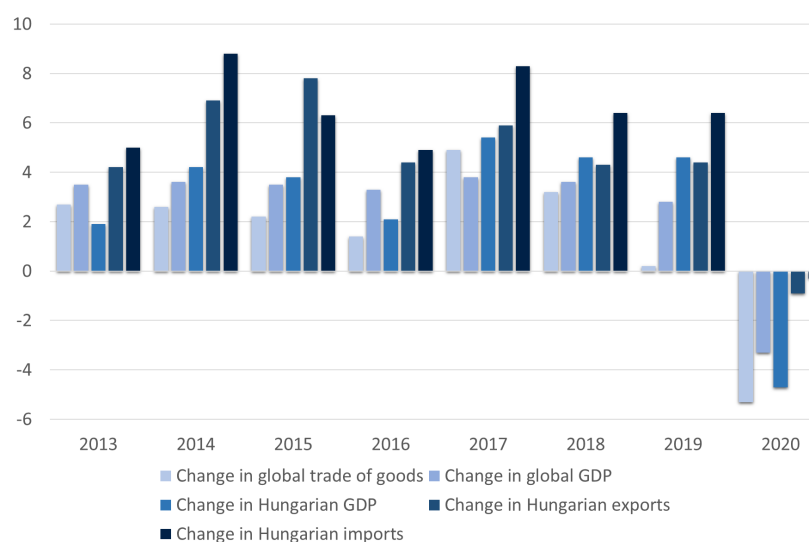
In 2022 the State Audit Office of Hungary prepared several analyses on the subject of the changes in the numerator or the denominator of the public debt ratio, or both. The correspondences identified and presented in these papers indirectly supported the work of the Fiscal Council, providing important background information, illustrating the challenges arising from the COVID-19 pandemic and the public finance implications of addressing them in 2020-2021.

The analysis entitled The Correlations between Exports and Imports, and Current Account and Capital Account Developments and their Impact on GDP (*Az export-import, valamint a folyó fizetési mérleg és a tőké mérleg alakulásának összefüggései, és hatásuk a GDP változására*) revealed that, between 2013 and 2016, the Hungarian economy's growth was export-oriented and improved external balance, while from 2017 onwards investment became the driver of growth, which led to a deterioration in Hungary's external solvency, although it remained positive throughout. In 2020, the impact of the coronavirus pandemic changed the behaviour of economic actors. Household consumption fell but household income increased, which raised the level of household savings. Businesses typically reduced or postponed their investments, as a result of which non-financial businesses also became savers on the whole. A lack of demand due to falling consumption and private investment were mitigated by economic protection measures by the State, which generated a large increase in government sector deficit. Exports fell sharply in the second quarter of 2020, while imports fell to a lesser extent due to the need to purchase goods from abroad for the pandemic measures. As a result, current account deficit exceeded two percent of GDP by the second quarter of 2020. Maintaining equilibrium on the Hungarian current account requires a significant external trade surplus to balance the persistent and sizeable deficit in the income balance. This, in turn,

requires savings at the national level equivalent to the positive balance of the balance of trade. Under normal economic conditions, this means that businesses invest more than they save, and the public saves more than the debt incurred by businesses and the State. This requires that government overspending gradually falls below three percent of GDP. That gradual process would be made possible by an increasing absorption of EU funds, which would significantly improve the balance of payments and thus Hungary's net lending position.

The COVID-19 pandemic and the measures taken to slow down and stop its spread created a crisis in the global economy, which is reflected in the figures in Chart 29.

Chart 29 – Changes in global trade and Hungarian foreign trade and GDP (world and Hungary) volumes in 2013-2020 [year on year (%)]



The analyses of the macroeconomic conditions and fiscal developments provided a comprehensive picture of how to manage the risks of new waves of the pandemic and the impact of active government action to reopen the economy. The link between economic growth and fiscal equilibrium, the risks

surrounding compliance with the public debt rule and the impact of the measures taken were presented.

The analysis showed that employment and unemployment changed in an overall positive direction in 2021. The strong economic growth in 2021 was helped by government measures to stimulate the recovery, financed by significant fiscal spending. However, at the end of 2021, the central sub-sector of the budget closed with a deficit of HUF 1,111.5 billion higher than the HUF 3,990.0 billion set in the law, due to the provision of resources needed to the sanitary protection against the coronavirus pandemic and to the reopening of the economy, as well as other specific factors.

The analytical paper entitled *The Impact of Monetary Policy and Fiscal Policy on the Economy in Crisis Management* (*A monetáris politika és a fiskális politika gazdaságra gyakorolt hatása a válságkezelésben*) showed that, in 2020, fiscal policy subordinated the pursuit of fiscal equilibrium to the protection of human lives and the resilience of the national economy, leading to higher-than-planned fiscal expenditure, lower tax revenues and, consequently, higher-than-planned budget deficits.

Following the outbreak of the coronavirus pandemic, fiscal policy strengthened the resilience of the national economy through conscious fiscal policy decisions, investment incentives and targeted support to improve labour market processes.

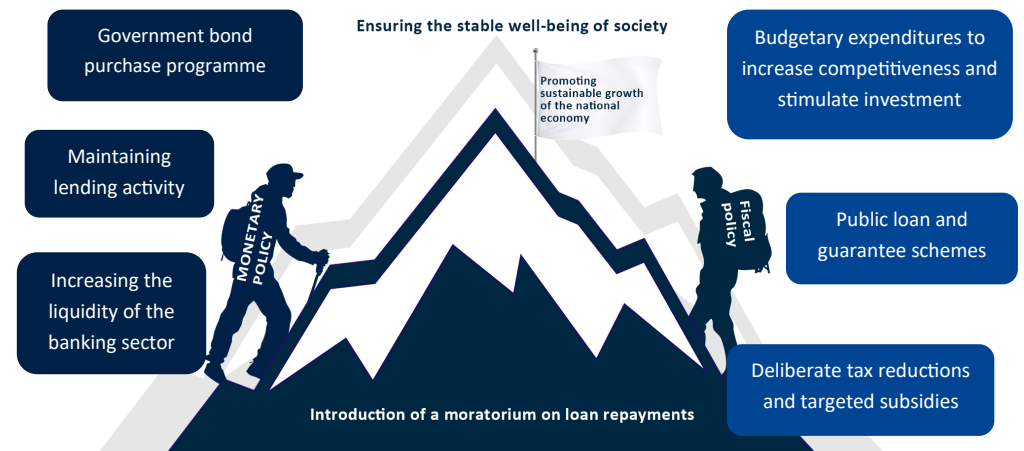
The analysis revealed that monetary policy in spring 2020 increased the flow of money into the economy by introducing liquidity-providing instruments, which supported the financing of companies by underpinning lending activity. Together, the loan and guarantee schemes of the Government and the Central Bank thus helped businesses to operate, improved labour market processes and stimulated investment.

The analysis also highlighted that the impact of the coronavirus pandemic and monetary policy measures in 2020 triggered fundamental structural changes in the financing of public debt. Increased retail bank deposits, together with monetary policy measures to increase liquidity in the banking sector, created the

opportunity for credit institutions to significantly increase their purchases of government bonds in 2020 compared to recent years. In 2020, the focus on institutional investors allowed public debt to be financed at lower yields.

Counter-cyclical fiscal policy and a monetary policy that supported the maintenance of lending created an abundance of liquidity in the economy, which strengthened the resilience of the national economy and contributed to the stable and secure financing of public debt from domestic sources. In 2020, fiscal and monetary policy cooperation helped to mitigate the economic downturn caused by the coronavirus pandemic and lay the foundations for the recovery of the economy in 2021. The joint crisis management objective and interaction of fiscal and monetary policy is shown in Chart 30.

Chart 30 – The joint objective and cooperation of fiscal and monetary policy in crisis management



The analytical paper entitled The Analysis of the Impact of Hungarian (Non-Market) Public Services on GDP (*A magyar (nem piaci) közszolgáltatások GDP-re gyakorolt hatása*) highlighted that the share of non-market public services in the economy, including the private sector, accounted for nearly 15.0% of GDP in 2020. The analysis showed that non-market public services played an important role in the national economy, directly and indirectly affecting economic performance. A transparent methodology and accurate calculation of GDP is essential. If the GDP calculation is inaccurate, risks arise concerning whether the EU's fiscal rule will be met, how the international credit rating agencies will judge the situation, and whether the interest burden on public debt will increase as a result.

The analysis entitled Factors Determining the Volume and Structure of Investment Projects in Hungary, with Special Reference to Sustainability (*A magyar beruházások mennyiségét és szerkezetét meghatározó tényezők, különös tekintettel a fenntarthatóságra*) showed that the investment performance of Hungarian capital expenditure projects doubled by 2020 compared to 2016. The global challenge of sustainable development has led to changes in the structure and scale of investments in Hungary. Grants and assistance finance were spent in line with the objectives set out in the EU and related national strategies.

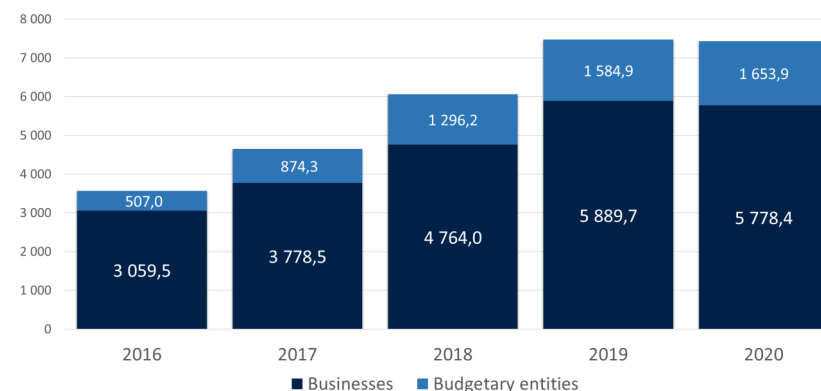
The analysis showed that the vast majority of public sector investments were linked to sustainability objectives. 86.0% of the absorption of 2014-2020 EU operational programmes with sustainability objectives were directed to investments by state-backed and government sector organisations.

The analysis highlighted that there remain barriers to achieving sustainability goals, mainly in the private sector, which pose risks to increasing investment and achieving sustainability goals and should be addressed.

Private sector investors do not have an interest in applying the principles of environmental, social and economic sustainability. In order to combat this, the state should continue to promote a change in the approach to sustainability by altering the conditions of the tax and subsidy system to provide better

incentives, so that sustainability objectives play an increasingly important role in private sector investments and a change in attitudes to sustainability is achieved. The sectoral distribution of investments between companies versus budgetary entities over the period analysed is shown in Chart 31.

Chart 31 – Investments by sector, 2016-2020 (at current prices, HUF bn)



The analytical paper entitled Efficient GDP Production Capacity (*Hatékony GDP előállító képesség*) revealed that competitiveness depends on the productivity of capital and human capital. The analysis focused on the determinants of the competitiveness of human capital.

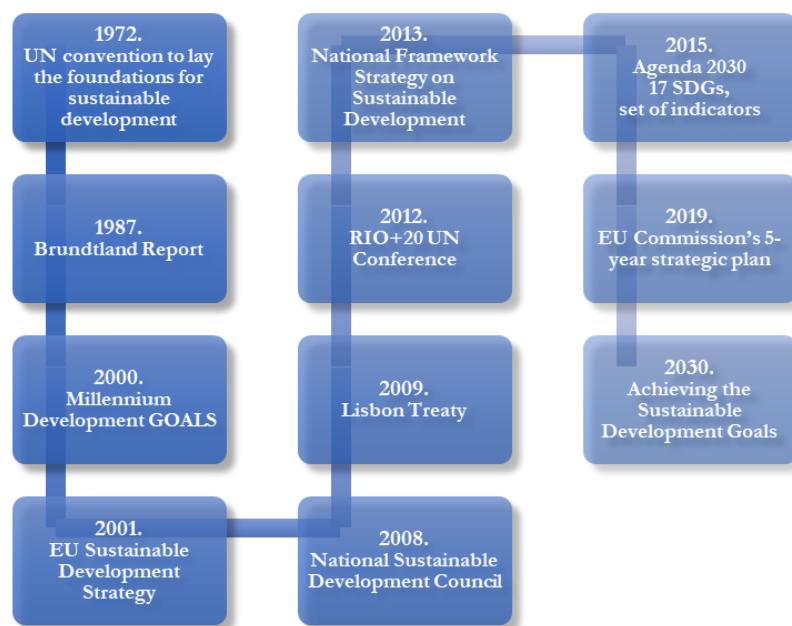
The analysis showed an increase in the average productivity of human capital in Hungary, the Visegrad countries and the EU Member States over the period analysed. A minor setback in this process was caused by the economic shock of the COVID-19 pandemic in 2020. Among the quantitative characteristics of human capital, workforce participation rate and employment rate were higher in Hungary than in the Visegrad countries and close to the EU average. On this basis, the quantitative determinants of human capital productivity created favourable conditions for improving competitiveness.

A key aspect for further improving the competitiveness of human capital is to further reduce the taxes and contributions on labour. At the same time, the

share of people in education and training followed a slight downward trend after 2015. Reversing this trend is a priority for the government.

The analysis entitled The Contribution of Investments by Publicly-Owned Companies to Sustainable Development (*A köztulajdonú gazdasági társaságok beruházásainak hozzájárulása a fenntartható fejlődéshez*) concluded that sustainability and sustainable development objectives were already present as aid objectives in the 2007-2013 programming period. The regional policy for the 2014-2020 programming period identified economic, social and territorial cohesion as a core task, with objectives closely aligned with sustainable development objectives. The milestones of sustainable development are shown in Chart 32.

Chart 32 – Sustainable development milestones



Sustainable development objectives were also considered for the purposes of the subsidies from Hungarian budgetary sources. There was an upward trend in the

absorption of such aid over the period 2010 to 2020, reflecting the growing significance and weight of the commitment to sustainable development.

The paper showed that publicly-owned companies played a key role in achieving sustainable development goals in terms of their operations and investments.

The analysis concluded that publicly-owned companies met the requirements of sustainable development, as these companies

- can have an impact on achieving the SDGs simply by taking a sustainability approach in carrying out their fundamental duties;
- made a commitment to sustainable development in their strategy documents and internal rules governing their investment processes, typically in the last third of the period under analysis;
- had the SDGs directly present in the planning documents of those selected investments for which the calls for proposals defined indicators and requirements to measure the achievement of sustainable development goals.

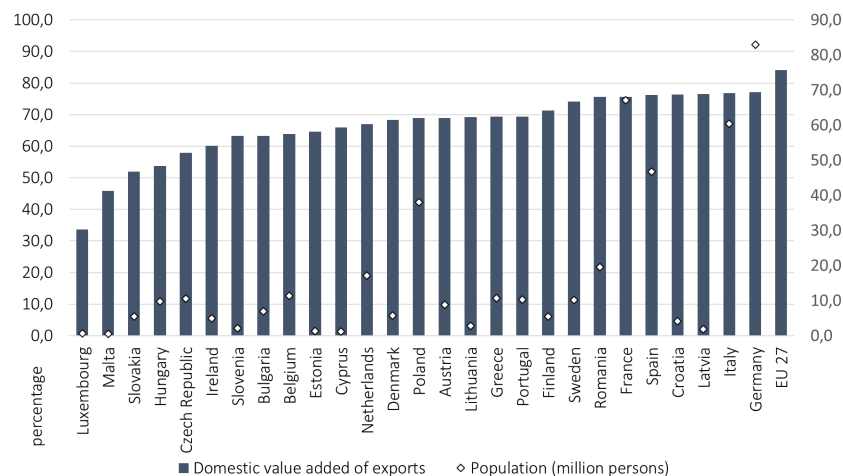
The analysis showed that, by implementing the intended tasks, the owners and senior executives of publicly-owned companies can steer the investments of publicly-owned companies in the expected direction, so that they choose sustainable, climate-conscious solutions for their investments even if these are not directly associated with the protection of the climate, and thereby set an example for economic actors in terms of sustainability.

The analysis entitled The Contribution of Public Investment to Sustainable Development (*Az állami beruházások hozzájárulása a fenntartható fejlődéshez*) found that around a quarter of all investment in the national economy was made by the government sector. Investment decisions taken by the Government in 2020 to mitigate the economic downturn caused by the pandemic played a significant role in sustaining investment activity. Meeting sustainable development commitments is an essential precondition for disbursing EU funding. In the Hungarian regulatory environment requirements for environmental sustainability are imposed at all stages of project

implementation; nevertheless, more detailed regulations would often need to be developed and refined. The requirements governing the support system for investments implemented with budgetary sources in Hungary do not fully ensure that the principles of sustainability are applied. It would be conducive to sustainability targets if the Government made it compulsory for investments using public funds to join international rating systems that support the design and use of sustainable and efficient solutions, and if it established a minimum set of requirements for public works projects to be rated for sustainability.

The analysis entitled The Factors Affecting the Value Added Content of Hungarian Exports (*A magyar export bozszáadott érték tartalma növelését befolyásoló tényezők*) showed that the 2018 domestic value added indicator (hereinafter: “DVA”) of Hungarian exports in terms of gross value added was the fourth lowest (53.7%) among EU Member States. The domestic value added content of exports and the population counts in the EU-27 in 2018 are shown in Chart 33.

Chart 33 – DVA content of exports and population in the EU-27 in 2018 (%)



In Hungary, the value of the indicator decreased from 73.2% in 1995 to 53.5% in 2000, and with small fluctuations it remained around 53.0% until 2018.

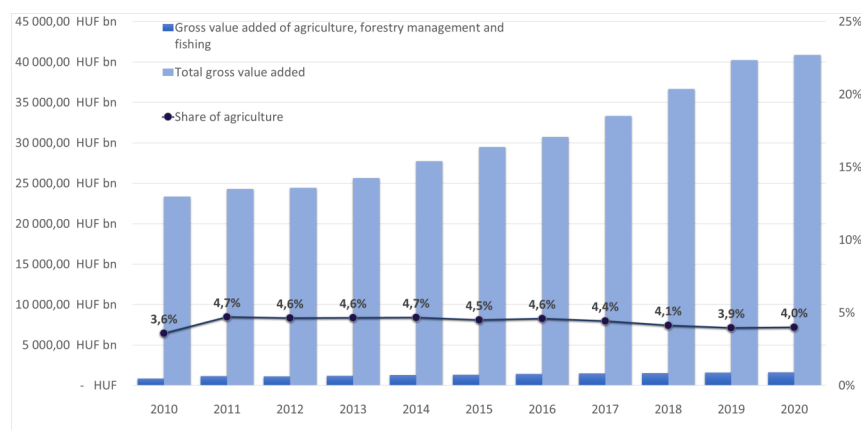
The main factor contributing to the rapid decline in the second half of the 1990s was that the DVA index of manufacturing exports, which accounted for a significant share of Hungarian exports, fell from 64.6% in 1995 to 43.3% in 2000, i.e. Hungarian industrial production was rapidly integrated into global value chains. The analysis showed that the DVA indicator tends to be higher in countries where micro, small and medium-sized enterprises (hereinafter: “SMEs”) have a larger share of exports. In Hungary, the share of SMEs in exports can be considered low both in international comparison and in terms of weight within total production, which may be another reason for the low Hungarian DVA.

The analysis entitled What is a Good Size for the State: the Dynamically Changing Size of Government (*Mi a jó államméret – a dinamikusan változó államméret*) defined the size of government as the ratio of government sector expenditure to gross domestic product. The size of this indicator expresses how much of GDP the state spends on financing public services, economic development and the redistribution of income for social protection purposes, in addition to the traditional public functions. The domestic redistribution rate has ranged between 55.2% and 45.7% over the past quarter century, declining from 50.4% to 46.0% between 2015 and 2019, before rebounding to 51.2% in 2020 due to the pandemic. The fall in the redistribution rate is due to the recovery of the Hungarian economy and the increase in employment. Social sustainability was strengthened by an increase in economic activity and the reaching of full employment. Hungary has made significant improvements in environmental sustainability since 1995. During periods of dynamic economic growth, however, energy use and greenhouse gas emissions have also increased. It will therefore be a major challenge in the next decade to maintain economic growth while at the same time meeting Hungary’s international commitments on environmental sustainability. This may also require changes in the structure of budget expenditure, but more importantly, it will require a more thorough exploitation of the synergies between competitiveness and climate protection.

The analysis entitled *The Contribution of Agriculture to Economic Growth* (*A mezőgazdaság hozzájárulása a gazdasági növekedéshez*) showed that the weight and share of agriculture in gross value added in Hungary is high compared to the EU average.

The changes in the gross value added, at current prices, in the national economy and agriculture and their ratios between 2010 and 2020 are shown in Chart 34.

Chart 34 – Changes in gross value added, at current prices, in the national economy and agriculture and their ratios between 2010 and 2020 (HUF bn, %) Source: based on HCSO, SAO own edit



In the period analysed (i.e. between 2010 and 2020), the gross value added of agriculture at current prices increased by 95.7%, from HUF 833.9 billion in 2010 to HUF 1,632.1 billion in 2020, contributing between 3.6 and 4.7% to the gross value added of the national economy. The share of cereals, industrial crops and fodder crops in the gross output of Hungarian agricultural production has increased over the past decade, resulting in a higher share of lower value-added products. By 2020 the number of farms had fallen from to two thirds of their 2010 level.

Gross domestic product per hectare increased 2.1 times, with a 5.5% decrease in agricultural land. The increase in productivity was driven by the concentration of land holdings, which provided more economical production opportunities, technological improvements thanks to subsidies and favourable agricultural credit conditions, as well as the expansion of irrigated farming.

The analysis pointed out that the Common Agricultural Policy for 2021-2027 already provides farmers with the opportunity to make greater use of precision farming technologies, so they can produce more with fewer resources while also reducing environmental damage.

An analysis of brownfield sites highlighted that both the EU and Hungary have set the goal of, and provide financial support for the reuse of brownfield sites, thus preserving green spaces.

One of the barriers to brownfield land regeneration is the cost of repairing the damage caused by past activity, which often exceeds the direct returns from commercialising the brownfield land. It is therefore appropriate for the state to take the initial step of assessing the damage and the costs of repair, and providing support for the remediation of the damage.

The analysis pointed out that in Hungary the development of regulations for the utilisation of brownfield sites accelerated from 2019 onwards, when the concept of brownfield sites was regulated by legal regulations and it was stipulated in legislation that local governments may designate new areas for development only if there is no brownfield site or undeveloped land in the municipal area that would be suitable for the intended use. Subsequently an act was passed in 2020 to create ‘Rust Belt Action Areas’, and a government decree laid down the procedure for designating these areas.

The analysis has identified a risk that specific rules established for these areas may conflict with the rules established for the specific part of the settlement by the relevant local government. It is therefore proposed to create a national register or to support local governments in creating a register serving as a detailed and useful database for investors.

The analysis entitled **The Methodological Assessment of R&D&I Performance Measurement** (*A K+F+I teljesítmény mérésének módszertani értékelése*) highlighted that R&D and the innovation resulting from it is a national strategic issue, a key factor of competitiveness and economic growth. The effective implementation of research, development and innovation programmes depends on setting objectives that reflect the expectations of society, are clear, transparent and measurable with appropriate indicators and reliable data. It is also necessary to have a monitoring system for the evaluation of the implementation, which ensures the possibility of feedback and intervention.

Hungary has adopted its National Strategy for Research, Development and Innovation for the period 2013-2020. However, no methodology was developed to measure the specific objectives set out in the Strategy, and the precise definition of objectives is incomplete.

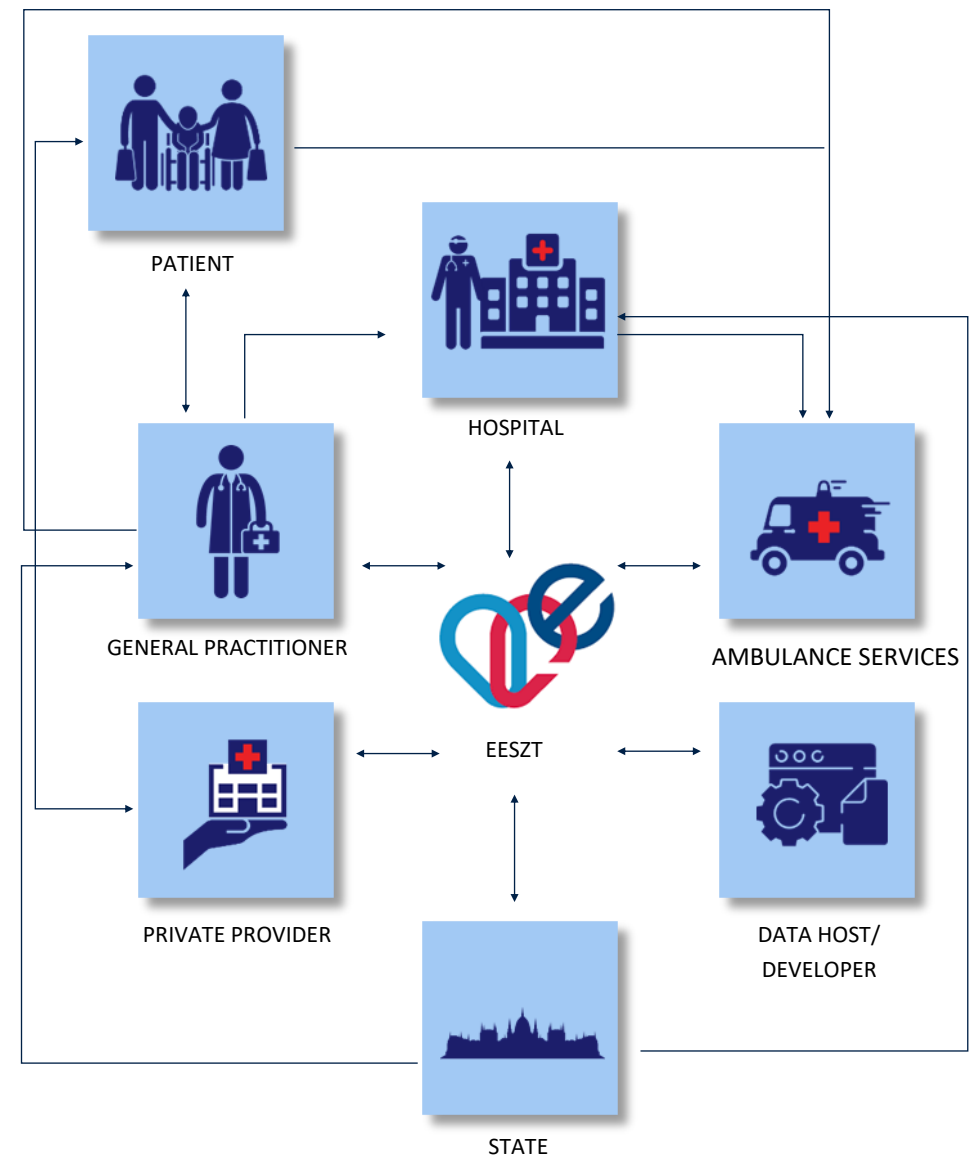
The analysis showed that R&D&I activity needs to be encouraged in a way that is supportive but also controlled. Well-defined objectives, indicators, measurement and backtesting are essential to achieve innovation goals.

CONCLUSIONS FROM THE ANALYSES ASSESSING THE IMPACT OF THE PANDEMIC ON PUBLIC SERVICES

The analysis entitled **The Impact of the COVID-19 Pandemic on the Development and Adoption of eHealth Services** (*A COVID-19 járvány hatása az egészségügyi e-szolgáltatások fejlődésére és elterjedésére*) described the stages of the development of eHealth under the Széchenyi 2020 Programme, and included a description of the legal framework, the structure and the operation of the Electronic Health Services Platform (hereinafter: “EESZT”), and explored its development potential. A relationship diagram of EESZT actors is shown in Chart 35.

In operation since 2017, the EESZT has created a single IT environment for communication between healthcare providers, with nearly 22,000 public and private providers joining in a phased manner.

Chart 35 – Relationship diagram of eHealth actors – Source: based on EESZT



As a result of the COVID-19 pandemic, teleconsultation solutions in particular have become part of everyday care. The pandemic has strengthened the link between primary and specialist care, with fewer face-to-face encounters between doctors and patients. This has enhanced the role of digital healthcare and electronically accessible health records. During the pandemic, 33-35 thousand citizens logged in to EESZT daily.

Digital solutions, telemedicine and the central registration of large amounts of health data offer the Hungarian healthcare system the opportunity to apply a number of methods previously missing from the healthcare sector, such as the use of large amounts of data in the provision of treatment or the rapid and direct connection between providers of treatment, in addition to improving efficiency and patient satisfaction. The year 2021 saw a consolidation of the e-services used. In the years ahead, efforts may focus on the monitoring and prevention of epidemics and chronic diseases.

Noteworthy is the expansion of eHealth services and the potential for efficiency gains that this can bring, which can help build a sustainable healthcare system.

The analysis entitled *The Impact of the Pandemic on Transport, In Particular Rail, Infrastructure Development Projects* (*A járvány hatásai a közlekedési, kiemelten a vasúti infrastruktúra fejlesztésekre*) assessed the extent to which transport infrastructure development, in particular the development of railway infrastructures, takes into account the changes caused by the pandemic, the changing consumer and economic needs, and whether there was a paradigm shift in the way development is planned.

It also showed that the negative effects of the COVID-19 pandemic justify a paradigm shift in rail infrastructure development, both for passenger and freight transport. Changes in travel and commuting patterns and changes in freight transport should be taken into account when planning and deciding on the development transport, including rail, infrastructure, with a focus on meeting the principle of economic sustainability. This is also justified by the fact that significant amounts of public funds are used to deliver such investment projects.

Based on the demand data measured during the pandemic, investment projects to improve the conditions for rail freight transport may be the options mostly in line with the principle of economic sustainability. These developments also support economic growth. In the case of rail passenger transport developments, it should be borne in mind that the State is spending more and more on the provision of this service, but that the utilisation rate does not justify this, i.e. the requirement of economic sustainability is fulfilled only to a limited extent.

CONCLUSIONS FROM THE ANALYSES ASSESSING THE CONSEQUENCES OF DIGITALISATION

The analysis on state cybersecurity showed that the number of cyberspace attacks and security incidents is increasing both globally and in Hungary alike. Cyber incidents can take a variety of forms, including the inability to operate basic public services (health, social, education), infrastructure (roads, street lighting, dams), or public services (water, electricity, district heating).

The analysis focused on the protection of Hungarian cyberspace as a critical infrastructure, and on the public sector, i.e. the cybersecurity of the state, which is one of the stakeholders in creating cybersecurity.

The analysis shows that the fundamentals of cyber protection in Hungary are set out in strategies formulating its long-term goals and tasks. In Hungary, ensuring the freedom and security of cyberspace can be achieved through close cooperation and coordinated activities between the government and the scientific, business and non-governmental sectors, based on their shared commitment to this goal. In addition to the shared responsibility of the institutional system for protecting Hungarian cyberspace, the individual organisations involved also have their own responsibilities. Each governmental entity operating an electronic information system is responsible for the security of that system; this also implies the organisation's responsibility for cybersecurity.

The analysis drew attention to the new challenges triggered by the increasing prevalence of teleworking in the wake of the COVID-19 pandemic.

In addition, cybersecurity at the organisational level will be effective if individual organisations are aware of, and actively work towards, cyber protection and security.

The analysis of the eGovernment in the period 2010-2020 presented the progress and achievements in eGovernment, and the opportunities offered by it, taking into account the benefits it provided during the pandemic.

The analysis assessed government measures for development, legislation in the field of eGovernment, the objectives and tasks of strategic and operational documents, and their implementation, and also included EU-wide comparisons.

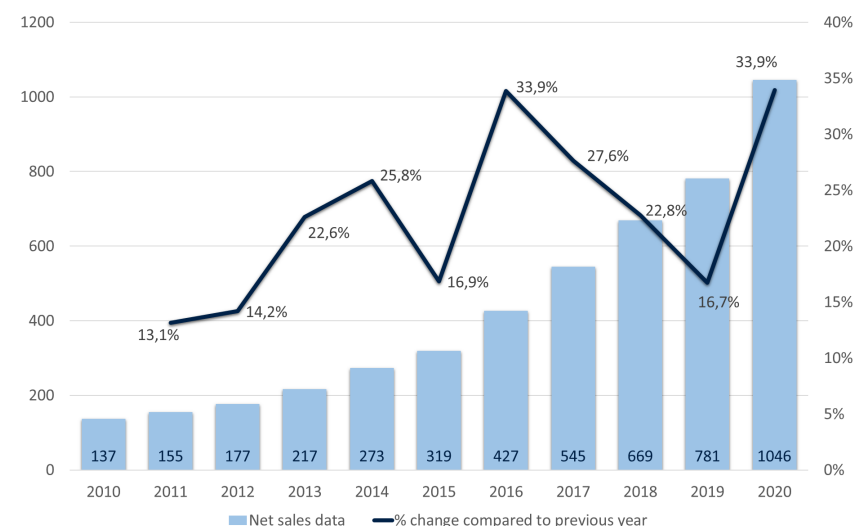
The analysis took into account customer perceptions of the service and user behaviour as relevant criteria for assessing the performance of eGovernment, which have contributed to raising awareness and sharing information in the wider public regarding the digital services available and also increasing trust in eGovernment services.

The analysis reminded decision-makers and sectoral managers as well as infrastructure, network and service developers of the challenges identified in this area and the possible ways forward. The development objective is to transition eGovernment gradually away from a system triggered by the customer request towards a proactive mode of public service, use new technologies more widely and create a centre for testing customer experience and usability. Making digital processes a reality is an important step towards simpler and more automated public administration.

The analysis of the tech industry, e-commerce, trade in Hungarian products and the related EU regulations aimed to present the trends in e-commerce, the emerging challenges and the possible responses to these. The net sales figures of online stores over time is shown in Chart 36.

The analysis has provided guidance for decision-makers on how to identify the factors that influence the functioning of online space, and also highlighted the need to raise consumer awareness so that people make responsible choices when

Chart 36 – Net sales of online stores in Hungary between 2010 and 2020 (HUF bn)



shopping online. It drew the attention of decision-makers and industry leaders, infrastructure, network and service developers to the risks and challenges identified in this area and presented some possible ways forward.

The starting point of **the analysis on the digitalisation of industry** was that digitalisation is key to the competitiveness and economic growth of Hungary. It presented national and European initiatives and measures for the digitalisation of industry and evaluated their effectiveness in the years 2016 to 2021.

The analysis has shown that the effective implementation of strategies and measures to support the digitalisation of industry requires the definition of realistic and measurable objectives, the development of appropriate indicators and a system to monitor their effectiveness. According to the Digital Economy and Society Index, Hungary has made progress in digitalisation, but is still behind the EU average.

The analysis provided information enabling the State Audit Office of Hungary, in its advisory role, to help substantiate the decisions of the National Assembly and the Government on digitalisation, and it contained useful information for ministries, institutional actors and a professional audience as well.

OTHER ANALYSES

Analyses not included in the previous categories have explored, among other things, the potential for voluntary development of integrity controls in local government, the impact of organisations performing audit activities, measurement practices related to performance measurement by SAIs, the consistency of international, national and programme-level performance indicators, and SAIs' experience in the field of sports, with an international perspective. They also presented the transparency of the usage fees charged by non-state human service providers, and the findings of the audits of institutions run by associations and local governments and public bodies.

The analysis entitled The Role of the NTCA in the Effectiveness of a Tax System Based on Tax Returns and the Payment of Taxes (*ANAV szerepe az adóbevalláson és adóbefizetésen alapuló adóztatási rendszer hatásosságában*) explained that the reorganisation of the Tax Administration's procedures was aimed at providing customer-oriented services and helping taxpayers fulfil their tax obligations. The aim was also to provide institutionalised support for taxpayers who comply with legal regulations voluntarily, and to facilitate compliance with tax obligations and reduce the administrative burden. Enforcing the requirements adopted into law has required the introduction of a variety of measures and the use of different instruments than before.

The analysis found that, in parallel with the increased use of incentives and the improvement in tax morale, the balance of bad debts within the total receivables on record at the tax authority decreased steadily between 2017 and 2020, while the tax revenues collected increased. Measures to improve tax morale, technical and specialist assistance and advice to prevent tax errors, a prioritisation of customer focus, a reduction in administrative burdens and the use of instruments to whiten the economy have all contributed to this, as shown in

Chart 37. Together, these measures have helped citizens comply with legal regulations voluntarily.

Chart 37 – The role of the NTCA in improving tax morale

Improving tax morale			
Prevention and correction of taxpayer errors	Customer focus	Reducing administrative burdens	Measures aimed at the whitening of the economy
<ul style="list-style-type: none"> • Mentor Programme • Supporting audits, procedures 	<ul style="list-style-type: none"> • Telephone and e-mail customer service • Government Window • Information booklets 	<ul style="list-style-type: none"> • ePIT system • Personal tax calendar • Mobile application 	<ul style="list-style-type: none"> • EKÁER (Electronic Road Transport Control System) • Online • Cash registers • Online invoice

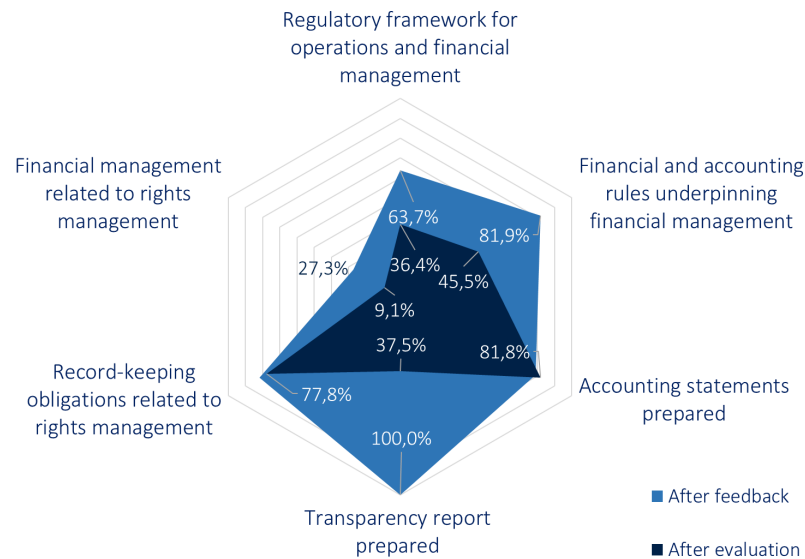
The analysis entitled Our Issues in Old Age from Multiple Perspectives (*Idős kori ügyeink több nézőpontból*) took a comprehensive look at the forms of care specifically designed for elderly persons. The analysis found that there was a small increase in the number of places in residential welfare institutions providing permanent or temporary accommodation. The one-and-a-half-fold increase in the extent of usage fees between 2010 and 2019 did not cover the increase in operating costs over the same period. This means that the maintenance of residential care places demands increased public commitment. Around 10.0% of the places in residential welfare institutions were in institutions with a temporary operating licence, i.e. one in ten places did not meet all the conditions laid down by legal regulations. The temporary operating licences will expire at the end of 2023 at the latest.

The analysis evaluating the Hungarian Intellectual Property Office and the copyright management organisations included an overview of the internal control environment of the HIPO, its performance of its duties in relation to rights managers, its monitoring activities, its practices in the determination and accounting of the rights management revenues of the HIPO,

and whether it has established measurable and monitorable performance targets and performance requirements. The review identified risks in the design of the operational framework of the rights managers, and in the performance of their reporting and record-keeping tasks.

Following its evaluation, the SAO provided feedback to all organisations with a view to promoting measures to ensure that the preconditions for accountability and transparency are in place. At the rights management organisations under the supervision of the HIPO, there was a positive change in the preparation of transparency reports, the establishment of operational and financial management regulatory frameworks and the availability of financial and accounting policies that underpin financial management (Chart 38).

Chart 38 – Positive changes in the operation and financial management of collective and independent rights management organisations



THE FINANCIAL MANAGEMENT AND OPERATION OF THE SAO

The financial management of the SAO in the year 2022
Human resources management

THE FINANCIAL MANAGEMENT OF THE SAO IN 2022

The State Audit Office of Hungary drew up its budget implementation report for the financial year 2022 as at 31 December 2022, which was certified by an independent auditor in accordance with the statutory requirements. Based on the opinion of the independent auditor, the SAO's budget implementation report for 2022 gives a true and fair view of the implementation of its budget for that year, its asset and financial position, and the results of its financial management.

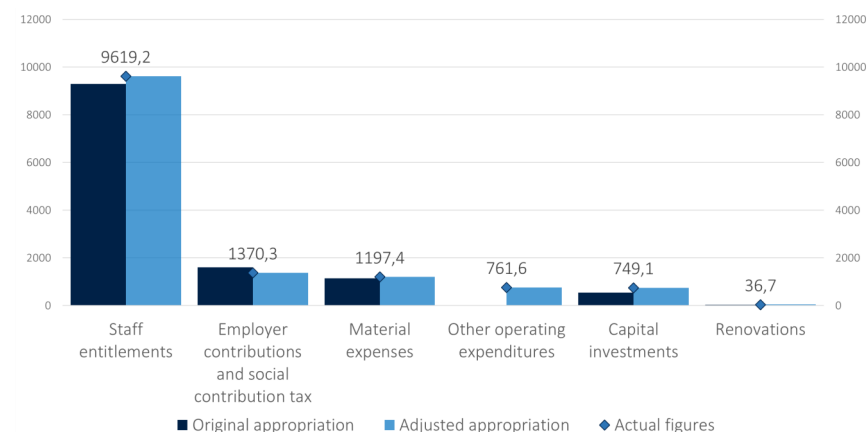
Act XC of 2021 on the Central Budget of Hungary for 2022 set the SAO's expenditure appropriation at HUF 12,612.2 million, its revenue target at HUF 20.0 million and its budgetary support at HUF 12,592.2 million.

Actual budgetary expenditures in the financial year 2022 amounted to HUF 13,734.3 million, given the magnitude of the mid-year changes to appropriations and their impact on the priority appropriations. Budget revenues of HUF 31.5 million were earned. The HUF 479.8 million of financing expenditure was due to the repayment of advances within public finance. During the implementation of the 2022 budget, the financing revenue earned amounted to HUF 14,189.9 million, of which 93.3% was central subsidies from the managing body and 6.7% was the spending of the residual budgetary balance of the previous year.

The original, the amended and the implementation figures for the **PRIORITY BUDGETARY EXPENDITURE TARGETS** are shown in Chart 39.

The priority appropriation for **STAFF ENTITLEMENTS** accounted for 70.0% of budgetary expenditures in the 2022 budget year, an increase of HUF 506.3 million compared to the previous year, of which staff entitlements of employees and for external staff amounted to HUF 9,355.8 million and HUF 263.4 million respectively.

Chart 39 – Priority budgetary expenditure appropriations for the year 2022 (HUF million)



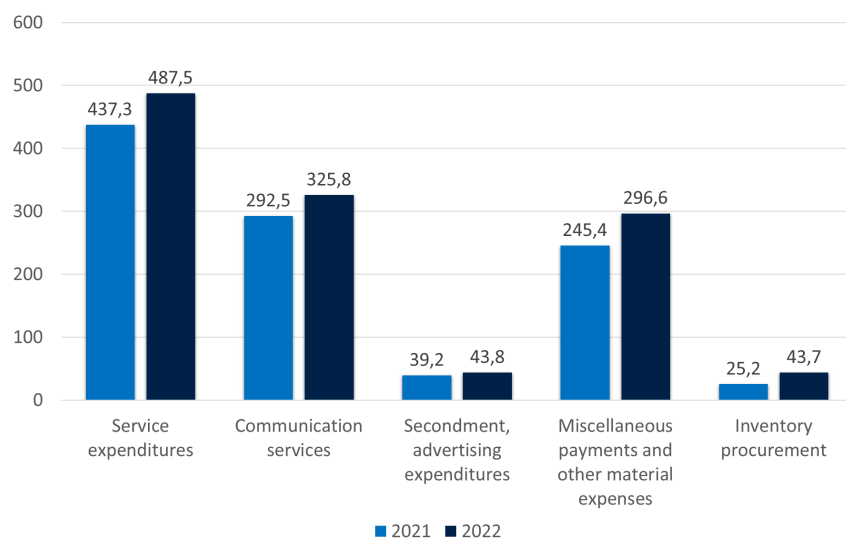
EMPLOYER CONTRIBUTIONS AND THE SOCIAL CONTRIBUTION TAX, as a priority appropriation, registered an actual spending of HUF 1,370.3 million, a decrease by 5.3% compared with the previous year, due to a 2.5 percentage point reduction in the social contribution tax.

The implementation of the priority appropriation for **MATERIAL EXPENSES** of HUF 1,197.4 million represents 8.7% of budgetary expenditures, an increase by 13.2% compared to the previous year.

Factors contributing to this increase include a significant rise in service expenditures, including utility charges, and an increase in the use of IT services within the communication services appropriation, as shown in Chart 40.

OTHER OPERATING EXPENDITURES, as a priority appropriation, amounted to HUF 761.6 million and accounted for 5.5% of total budgetary expenditures, an increase by HUF 547.0 million compared to the previous year. Of these expenditures, deductions and payments amounted to 99.7% of the

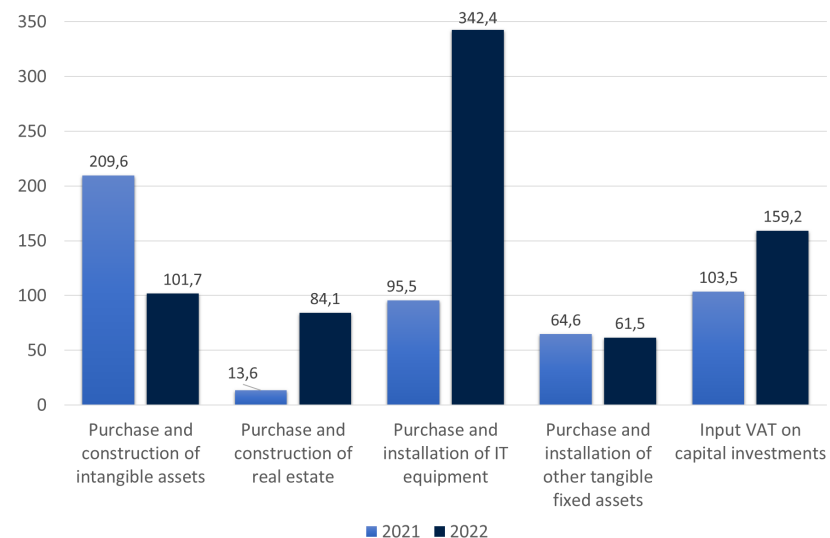
Chart 40 – Actual material expenses in 2022 compared to the previous year (HUF million)



appropriations, representing an increase by HUF 545.8 million in payments compared with the previous year. Of which

- uncommitted residual balances of HUF 306.8 million were generated in the year 2021 and have been paid into the Central Residual Settlement Fund,
- a payment of HUF 195.7 million was made on the basis of Article 4(4) of Government Decree 814/2021 (XII.28.) on the different rules of the 2022 Budget of Hungary related to the emergency situation, due to the savings resulting from the 2.5 percentage point reduction of the social contribution tax, and
- the SAO contributed HUF 256.9 million to macro-level financial stabilisation measures of public finances.

Chart 41 – Year on year changes in capital investments in 2022 (HUF million)



At HUF 749.1 million, the actual figure in the priority appropriation of **CAPITAL INVESTMENTS** represented 5.5% of budget expenditure, which was HUF 262.2 million higher than in the previous year (Chart 41).

The priority appropriation of capital investments included 45.7% in IT equipment, 13.6% in intangible assets, 11.2% in real estate and 8.2% other tangible fixed assets purchased or constructed, while the remaining 21.3% was input VAT on capital investments.

Intangible assets include licence purchases and long-term software licences, such as Microfocus access licence, Arcserve UDP licence, and the purchase of AD Manger plus software. Payments were made, inter alia, for air-conditioning the glass hall of the SAO's headquarters, while the next instalment for the design fee of the lift was charged to the heading 'Acquisition and construction of immovable property'. A significant part of the capital investment spending was for the purchase and installation of IT equipment. In addition to the replacement of servers for reasons of obsolescence, various IT purchases such

as client machines, laptops, docking stations, equipment for the development of video systems, other IT equipment for Cisco Webex, etc. were charged to this heading. The purchase of kitchen equipment, furniture and a transporter are included under the heading ‘Other purchases of tangible fixed assets’.

Actual spending against the priority appropriation of **RENOVATIONS** amounted to HUF 36.7 million, which represents 0.3% of budgetary expenditures, with around 80.0% spent on the renovation of buildings. Spending under the priority appropriation for renovation was 37.8% lower than in the previous year. Renovation expenditure includes the cost of renovating the lifts, replacing the windows on the 3rd and 4th floors of the Lónyay Street site, and renovating the bathrooms and installing windows and sills at the Lónyay Street site.

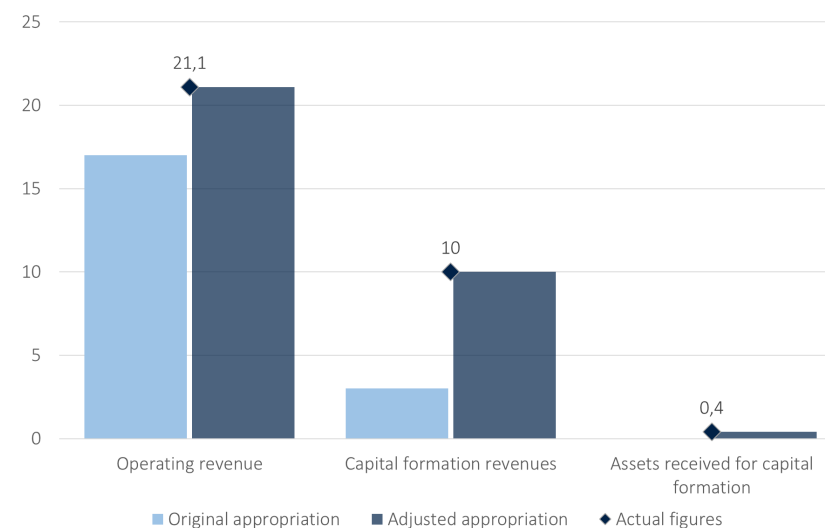
Under **FINANCING EXPENDITURES**, the actual spending figure of HUF 479.8 million was higher due to the advance of salaries for December 2021, which was repaid at a rate of 100.0% in January 2022.

During the implementation of the 2022 budget, **FINANCIAL REVENUES** amounted to HUF 14,189.9 million, 10.7% higher than in the previous year, of which 93.3% was central subsidies received from the managing body and 6.7% was the spending of the residual budgetary balance of the previous year.

The actual figure under the priority appropriation of **BUDGET REVENUES** was HUF 31.5 million in the budget year 2022, as shown in Chart 42.

ADJUSTMENTS OF APPROPRIATIONS took place at both the chapter and the institutional levels of competence. In view of the transferability between the priority appropriations of budgetary expenditure and the headings within the priority appropriations applicable to the managing body of the chapter pursuant to Article 43(1) of Government Decree 368/2011 (XII.31.) on the implementation of the Public Finance Act, the following amendment of appropriations was made:

Chart 42 – Priority budgetary revenue appropriations for the year 2022 (HUF million)



- in the implementation of the 2022 budget, an adjustment of HUF 650.1 million in appropriations was made due to an increase in the salary base of auditors,
- the absorption of the 2021 budgetary balance was made through modifications of appropriations in institutional competence amounting to HUF 947.6 million, of which HUF 306.8 million was uncommitted residual balance,
- an amendment of HUF 11.1 million was applied to appropriations due to the fact that certain revenues were different from the budgeted amount,
- the appropriations for cash for capital formation increased by HUF 0.4 million, due to the recovery of employer loans.

67.6% of the change in appropriations concerned other operating expenditures, which related to the repayment obligation due to the 2.5-percentage-point cut to the social contribution tax, the repayment of the uncommitted free residual

balance from the previous year and the amount of the contributions paid to maintain equilibrium in public finances.

The SAO's budgetary balance for 2022 was set at HUF 7.3 million, of which the balance of its core activities subject to commitments amounted to HUF 6.5 million and the uncommitted balance of core activities was HUF 0.7 million.

The increase in energy prices has had a significant impact on the SAO's budget for 2022. To offset the increase in costs attributable to energy prices and inflation, cost-saving measures became expedient in the course of the implementation of the 2022 budget. The existing electricity, cleaning and maintenance contracts were reviewed and amended to adapt to the changed circumstances. The SAO introduced strict cost-saving measures to reduce energy consumption, such as lowering the heating temperature in buildings, reducing the size of office space in the county audit offices and ordering work from home. As a result of the measures, electricity consumption at its Budapest offices decreased by 1,949 kWh and natural gas consumption by 26,284 m³ compared to the previous year, but the price change was particularly high compared to the average of the previous two years, resulting in a significant increase in spending (Charts 43 and 44).

Chart 43 – Electricity consumption in the years 2020 to 2022

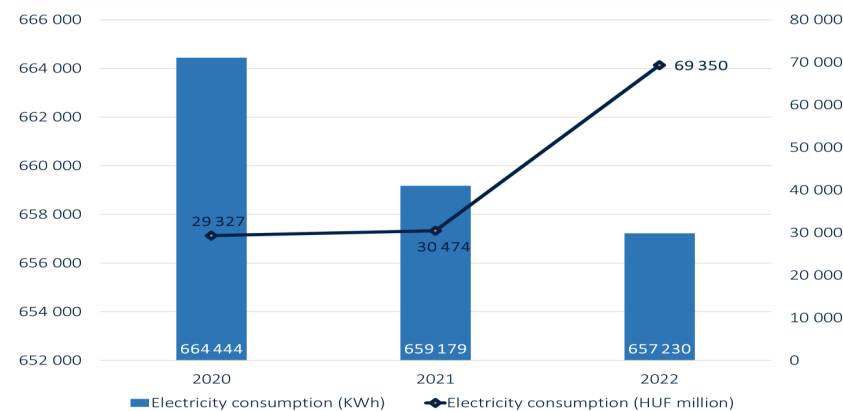
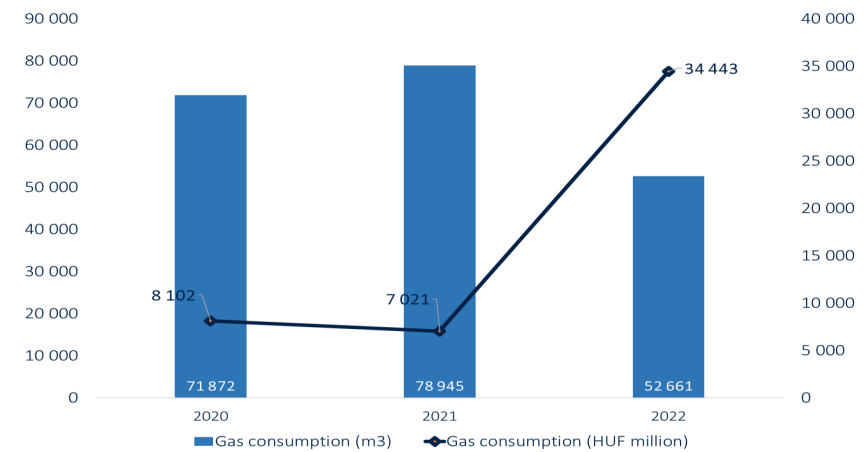


Chart 44 – Gas consumption in the years 2020 to 2022



Five county audit offices downsized in 2022, and the SAO returned to the relevant government offices 397.17 m² out of the total space of 797.51 m² it had been using.

HUMAN RESOURCES MANAGEMENT

Changes in staff headcount

The SAO's staffing headcount increased by four from 489 at the start of 2022 to 493 by the end of the year. The proportion of women and men within the workforce is shown in Chart 45.

According to the organisational development guidelines, the rationalisation of the organisational structure has reduced the number of employees in managerial positions by 28.6% (from 77 to 55) and their ratio to the total number of employees has decreased to 11.2% from 15.7% in 2021.

The change in the number of managers and subordinates is shown in Chart 46 and the change in their ratio in Chart 47.

Chart 45 – Proportion of women and men in the workforce in 2022 (%)

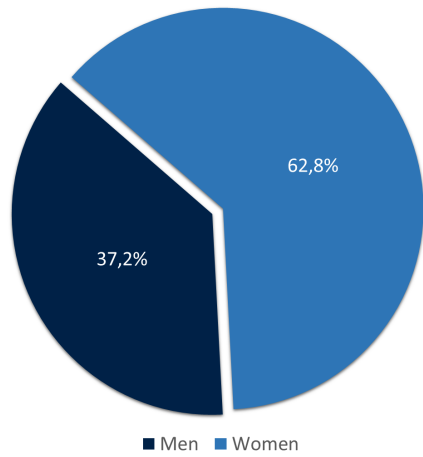


Chart 47 – Changes in the rate of managers versus staff in 2021 and 2022

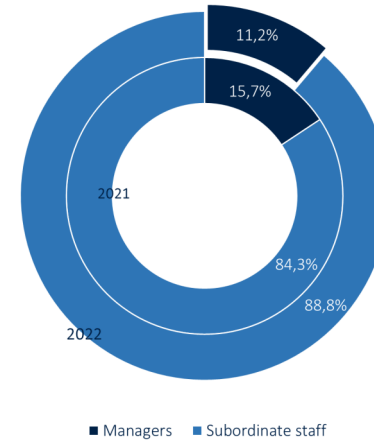
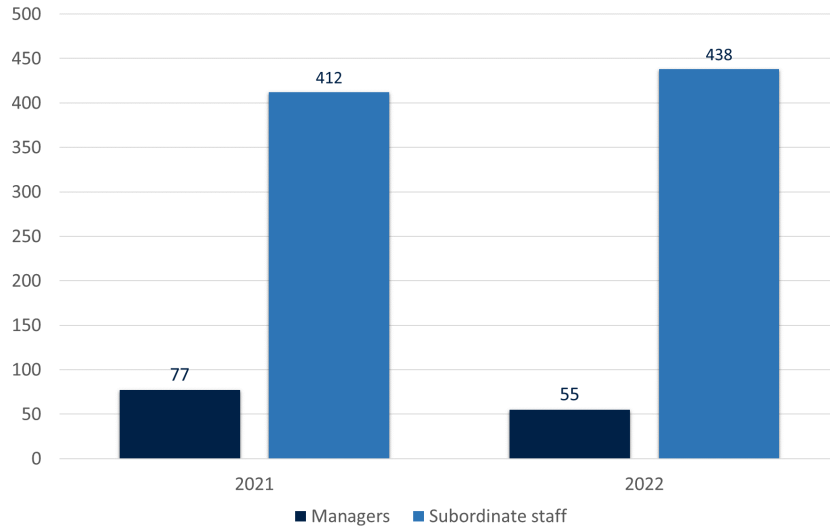
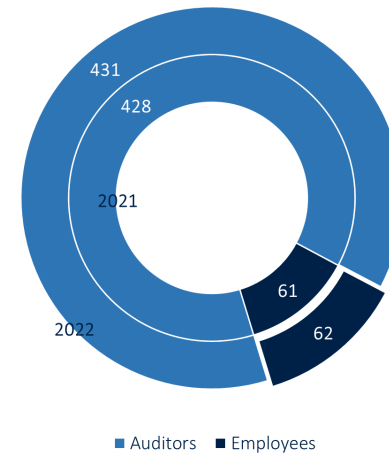


Chart 46 – Changes in the number of managers and staff in 2021 and 2022



In 2022, there was only a 0.1% difference in the ratio of auditors to all employees compared to 2021; this is shown in Chart 48.

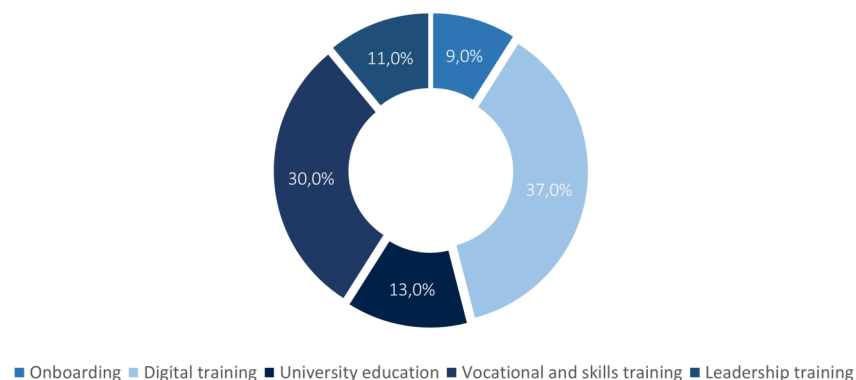
Chart 48 – Ratio of auditors to employees in 2021 and 2022



Training courses

In 2022, the SAO organised and coordinated onboarding, professional and skills development, digital skills development and leadership training and university courses, as set out in its training plan. Around 75.0% of the training was professional or skills development and digital skills training (Chart 49).

Chart 49 – Distribution of the number of training courses in 2022



Under a cooperation arrangement with the University of Miskolc, specialist further training was completed in the first half of 2022 by 16 students as public service analysts and by nine students as public service performance managers.

Two persons participated in a doctoral programme supported by the SAO, in which the integrity and performance management of public service companies and the connection between sustainable economic growth and public debt management are examined.

Since third quarter of 2022, eight people have been studying for public service performance manager, two for public procurement lawyer and two others for public procurement consultant qualifications. The internal training courses organised by the SAO were switched from in-person training to on-line during the pandemic. In addition to in-person training, the SAO has an internal

e-learning framework that provided continuous online training opportunities, with learning materials, quizzes, video tutorials and an assignment uploading interface to support an efficient learning process.

A number of language and digital training courses were delivered online. Language training in 2022 focused on the study and analysis of public finance literature in English. In addition to improving the IT skills of the auditors, the digital training courses were designed to enhance the knowledge of IT support staff, enabling them to integrate effective digital solutions into the SAO's workflows. In 2022, a total of 188 training courses were organised for a total of 3,847 training days.



ORGANISATIONAL DEVELOPMENT



The new President of the State Audit Office of Hungary

Structural renewal

Changes in human resources policy

Professional, methodological changes

Internal control

THE NEW PRESIDENT OF THE STATE AUDIT OFFICE OF HUNGARY

In 2022, an important change was brought about by Resolution No. 28/2022 (VII.5.) of the National Assembly, by which the new President of the State Audit Office of Hungary, Dr. László Windisch, was elected for a 12-year term of office with effect from 6 July 2022. During his hearing before the Committee, the candidate for the position of President of the SAO spoke of the objectives of carrying out in-depth, comprehensive audits of operations and financial management, in addition to conformity audits, real-time audits of public finances as close in time as possible to decisions, transactions and economic events, systemic evaluation of complex public finance processes, strengthening the supporting and advisory role of the SAO, and the development of a modern auditing organisation.

In order to successfully achieve these objectives, in August 2022 the State Audit Office of Hungary started to adapt its organisational structure and activities to the intended objectives and to introduce new solutions and working methods to support the detection of emerging risks and to respond in a timely manner to the changing environment. .

STRUCTURAL RENEWAL

The new organisational and operational system was implemented in several phases starting in the second half of 2022. As a first step in this process, the organisational and operational rules (hereinafter: “OOR”) were amended in August 2022 to include the departments responsible for supporting the audit activity under the authority of the President and the Vice Presidents. Communication and protocol as well as legal duties are overseen by the designated Vice President, who heads a separate directorate carrying out the general legal tasks related to audits. The financial and operations area is responsible for the economic, financial, operational and document management tasks.



Dr. László Windisch, newly elected President of the State Audit Office of Hungary, signs his credentials at the extraordinary plenary session of the National Assembly

Source: MTI

The International Department reporting directly to the President is responsible for coordinating international cooperation and events and cooperation with the EU audit institutions. Human resources tasks have been consolidated in a single department, which is responsible for personnel and human resources management at the organisational level.

1. STRUCTURAL RENEWAL

- Competence centres
- Directorate of Coordination
- Directorate of Information Technology
- Legal Directorate
- Compliance advisor

3. PROFESSIONAL, METHODOLOGICAL CHANGES

- introducing advisory control and the institution of presidential recommendations
- further enhancement of the rules of the auditing profession
- developing a digital audit and data analysis environment
- new foundations for risk analysis in-process quality assurance



2. CHANGES IN HUMAN RESOURCES POLICY

- public service contract for auditors
- wage bill management
- flexible, performance-oriented human resources system

Analysis duties have been allocated to a separate unit set up for the purpose, which supports the work of the President of the State Audit Office of Hungary in the Fiscal Council and is responsible for reviewing the Bill on the central budget and the continuous monitoring of the implementation of the central budget. A Directorate of Coordination reporting directly to the President has been set up to coordinate audits at the organisational level.

In the second phase of organisational restructuring, in October 2022, independent organisational units responsible for strategy and methodology, quality assurance, risk analysis and digital data analysis were created within the Directorate of Coordination. The Strategy and Methodology Unit, established as a separate department, supports the strategic planning, monitoring of international auditing standards and norms and the SAO's auditing rules. The quality assurance unit is responsible for the development and operation of the quality assurance system embedded in processes. The risk analysis and the audit units are jointly responsible for the tasks related to the establishment and operation of the renewed risk analysis system.

Taking into account its audit tasks and the scope of audited organisations, the SAO has established five audit directorates as professional competence centres (see Chart 51), dealing with the following areas:

- audit of the central level of public finances,
- audit of the local level of public finances,
- audit of organisations outside public finances,
- audit of state assets management, as well as
- performance audit.

In the audit directorates, the unified management of the audit function is carried out under the leadership of the Vice President supervising the audit activities.

In the third phase, with the amendment of the OOR in February 2023, the Directorate of Information Technology was established, which, in addition to IT operational tasks, also manages the Digital Data Analyses Department

supporting the creation, operation, monitoring and development of the digital audit and data analysis environment.

A compliance advisor was appointed within the President's Office to manage compliance-related issues at the organisational level, deal with incidents affecting the integrity of the SAO or breaches of organisational integrity, and oversee the preparation of audit trails.

CHANGES IN HUMAN RESOURCES POLICY

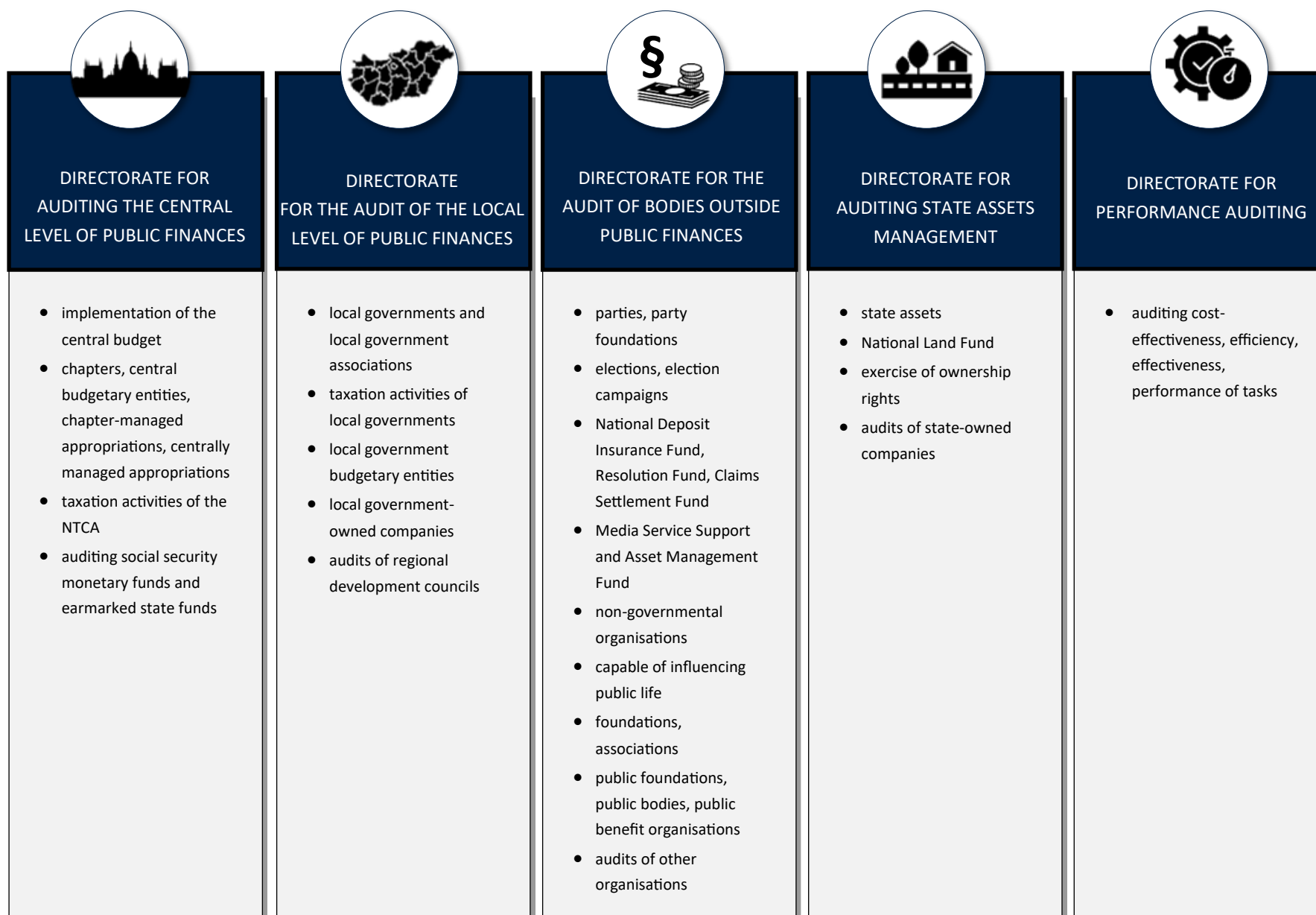
With the amendment of the Act on SAO, from 1 January 2023, the former appointments of auditors have been replaced the civil service contract of auditors, which is based on a bilateral agreement between the parties. In addition, wage bill management was introduced, which provides the opportunity for the employer to develop a flexible and performance-oriented human resources system.

Following the amendment of the Act, the President of the State Audit Office of Hungary, in his non-delegable powers, has laid down in the Human Resources Policy Rules the principles and provisions for the classification of auditors, the grading categories, the job titles, the amount of the additional leave which may be granted by the employer, which shall govern the conclusion of the public service contract of the auditors and provide a framework for the establishment of the legal relationship between the parties, and the rules for performance evaluation in a separate regulation.

The new performance appraisal system for auditors and for persons employed under the Labour Code aims to provide a basis for objective measurement of professional performance and detailed feedback to both employees and managers on the presence or absence of personal skills and competences, helping to identify directions for improvement.

In its recruitment process, the SAO is looking for highly qualified professionals with several years of experience in auditing, outstanding professional experience in the fields of financial auditing, public funds, public finance or non-profit financial management.

Chart 51 – Audit directorates as professional competence centres





Swearing-in of new hires in September 2022

The main aim of internal training and development is to deepen and broaden the skills and preparedness of staff, so that they can acquire the qualifications and knowledge gained in their day-to-day work.

The State Audit Office of Hungary is reviewing its traineeship scheme with a view to giving young graduates the opportunity to familiarise themselves with the SAO's activities and to join its staff following a successful traineeship.

The SAO's human resources policy objective is to ensure the preservation and development of the most important professional asset, knowledge, to support the mental and physical health of staff, to transform organisational culture and to build a community spirit.

PROFESSIONAL, METHODOLOGICAL CHANGES

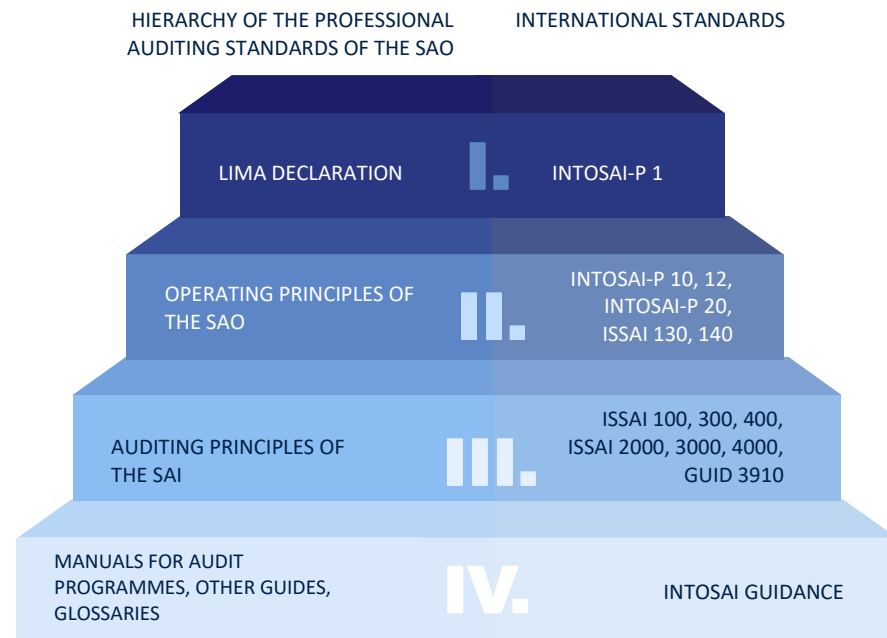
Following its amendment effective from 1 January 2023, the Act on SAO now includes the possibility for the State Audit Office of Hungary to carry out an advisory audit on a specific issue at the request of the proprietary body,

managing body, owner or founder, and to prepare an advisory opinion on the results of the audit for the head of the audited organisation. In addition, the President of the State Audit Office of Hungary may issue a recommendation, to be published on the SAO's website, in order to promote voluntary compliance with legal regulations, in the form of a non-mandatory and legally non-binding recommendation to promote the uniform application of legal regulations in the event of requests concerning the same or similar matters within the SAO's fields of activity and competence.

Further enhancement of the rules of the auditing profession

As one of the fundamental guarantees of its independence, the State Audit Office of Hungary draws up and publishes its own rules of audit practice within the framework provided by the legal framework. In developing its methodological documents, the SAO takes as a guideline the INTOSAI

Chart 52 – System of methodology documents



standards, for which that global body created a new classification structure effective from 2019, called the INTOSAI Framework of Professional Pronouncements (hereinafter: “IFPP”). Methodological documents are organised in a four-level structure (Chart 52).

The new strategic directions and the outcomes of international review processes have made it necessary to modify the methodological documents published on the SAO’s website, which are organised in four levels and aligned with the IFPP. In parallel with the revision of its operating principles, the State Audit Office of Hungary has started to review the third and fourth levels of the methodological hierarchy, which are the principles and methodologies for auditing. As a result of the professional work carried out, coherent methodological rules are being produced in line with international standards and the Act on SAO, successfully supporting the auditing work.

Quality-controlled operations, in-process quality assurance

In October 2022 the SAO replaced its monitoring-type quality assurance with an in-process quality assurance system. Its aim is to ensure that the documents and outputs produced meet the required quality standards, that the audit findings, conclusions and recommendations are sound, documented and that the SAO’s reports are of a high professional standard.

In-process quality assurance is supported by the assurance of quality from a legal perspective embedded in the processes, which covers all processes ranging from the analysis of the legal environment to the legal reviewing of audit programmes and draft reports.

Developing a risk analysis system taking advantage of tools of digitalisation

In the second half of 2022, the SAO started to develop its new state-of-the-art risk analysis system capable of responding to challenges and using the tools of digitalisation. It set as a requirement for the risk analysis system using the new methodological approach that the data analysis should make the widest possible use of data and sets of indicators capturing emerging risks be developed enabling the analysis of the relevant data of the areas and organisations to be

audited. Based on this, risk profiles are defined, which, in addition to the selection of areas and organisations to be audited, also help the SAO process high-risk, topical audit issues, supporting decision-makers and stakeholders in achieving efficiency, productivity, cost-effectiveness, legality and expedience.

In order to strengthen the sound, cost-effective, efficient and effective management of public funds and public property, the SAO selects audit topics and entities to be audited based on a risk analysis system. In selecting audit topics based on the results of its risk analysis, the SAO’s objective is to help reduce the risk of adverse effects and the risk of irresponsible or inefficient financial management by auditing the topics and areas identified in the risk analysis and by auditing selected organisations.

Developing a digital audit and data analysis environment

The State Audit Office of Hungary has set itself the objective of creating a digital auditing and central data analysis environment, the most important elements of which are the data and information available in central registers and systems concerning the scope and activities of the audited organisations. The internal data analysis environment and registry developed from such data with the help of digital solutions can support the planning and execution of audits and the operation of the risk analysis system to be developed in order to underpin the analyses. The amendment to the Act on SAO, which entered into force on 1 January 2023, confirmed the SAO’s right of access to public data and, in the context of exercising its powers, the organisation is entitled to direct access to, and use of, data in the public registers and databases of the state and local governments as defined in the Information Act.

The internal data analysis environment and registry developed from the data with the help of digital solutions can support the planning and execution of audits and the operation of the risk analysis system to be developed in order to underpin the analyses. In accordance with the provisions of Article 28(7) of the Act on SAO, the objective of the State Audit Office of Hungary is to develop a single, integrated and flexible platform for receiving, processing and displaying data.

EXPERIENCE FROM OPERATING THE INTERNAL CONTROL SYSTEM

Control environment

The challenges of the year 2022 and the new objectives of the SAO necessitated a major overhaul of the existing organisational and operational structure, which was underpinned by a comprehensive reform of the control environment and a review of internal management tools in line with professional and functional requirements. As part of the revision of the control environment, the SAO drew up internal rules that set out with clarity and in sufficient detail the tasks and requirements to be performed by staff, and define responsibilities and processes in a clear and transparent manner.

Integrated risk management system

From a risk management perspective, it remains essential to identify and assess the risks that threaten the achievement of organisational objectives, as amended from time to time, and to take measures to minimise such risks. In the second half of the year the risks were assessed, identified and evaluated against the new organisational objectives, and they are managed at the organisational level. Measures to address specific risks have been taken and implemented as a result of a multi-stage process, either built into internal policies or through the implementation of specific measures.

Control activities

In the context of the organisational transformation, the SAO's review of control activities in line with the changed objectives has focused on setting up authorisation, reporting and control procedures that ensure transparency, cost-effectiveness and accountability in operations. Employing the control activities required by legislation and internal rules and enforcing the in-process controls available served as safeguards for the legally compliant functioning of the SAO, which contributed to its stability and strengthened its organisational integrity.

Information and communication system

The information and communication system set up and operated by the SAO ensured that staff had timely and complete access to the information they needed to perform their duties. The flow of information within and between departments was properly regulated and uninterrupted, which contributed significantly to the achievement of the organisation's objectives.

In the future, the State Audit Office of Hungary intends to place greater emphasis on supporting the audited organisations, with a particular focus on its advisory role. This will put the relationship with auditees on a new footing, with the aim of building collaborative communication channels that ensure an efficient and solid flow of information, taking advantage of the opportunities offered by digitalisation.

Monitoring

In the context of the rationalisation of the organisation's operations, the SAO also reviewed its monitoring system and monitoring activities and introduced measures to support the new organisational structure and audit processes in a more efficient way. As a result, the State Audit Office of Hungary has properly set up and operated a monitoring system ensuring that it can achieve the objectives set by it and carry out the continuous and ad hoc monitoring implemented within the context of its operational activities. The monitoring system provided management with appropriate feedback on the fulfilment of requirements relating to operations and the delivery of duties, and highlighted any corrections or interventions necessary.

The monitoring of the implementation of tasks was supported by an electronic management decision registration system, which served the purpose of documenting the decisions taken by managers.

In accordance with the legal requirements, the SAO ensured that a functionally independent internal audit function was in place and in operation in 2022 as well, and provided the necessary resources for internal audit operations.

ANNEX – LIST OF ABBREVIATIONS

ORGANISATIONS

BVOP	Hungarian Prison Service Headquarters
EU	European Union
General Staff	General Staff of the Hungarian Defence Forces
GVH	Office of Economic Competition, the Competition Authority
HIPO	Hungarian Intellectual Property Office
INTOSAI	International Organization of Supreme Audit Institutions
ITM	Ministry for Innovation and Technology
KNPA	Central Nuclear Monetary Fund
MoD ODE	Office of Defence Economics under the Ministry of Defence
Mol	Ministry of Interior
NAIH	National Authority for Data Protection and Freedom of Information
NEBIH	National Food Chain Safety Office
NOJ	National Office for the Judiciary
NTCA	National Tax and Customs Administration
OAH	Hungarian Atomic Energy Authority
OGYÉI	Országos National Institute of Pharmacy and Nutrition
OVF	General Directorate of Water Management
RDC	Regional Development Council
Roundtable	Deregulation Roundtable
SAO	State Audit Office of Hungary
Treasury	Hungarian State Treasury

REGULATORY INSTRUMENTS

Accounting Act	Act C of 2000 on Accounting
Act on Criminal Procedure	Act XC of 2017 on Criminal Procedure
Act on NGOs	Act CLXXV of 2011 on the Right of Association, the Public Benefit Status and the Operation and Support of Non Governmental Organisations
Act on Public Companies	Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings
Act on Resource Sharing	Act CXXXIII of 2006 on the Sharing of Resources between the Municipality of Budapest and the District Municipalities
Act on SAO	Act LXVI of 2011 on the State Audit Office of Hungary
Act on the Court Registration of NGOs	Act CLXXXI of 2011 on the Court Registration of NGOs and the Related Procedural Rules
Act XLIX of 2021	Act XLIX of 2021 on the Transparency of Organisations Carrying out Activities Capable of Influencing Public Life
Economic Stability Act	Act CXCV of 2011 on the Economic Stability of Hungary
Government Decree 479/2016	Government Decree 479/2016 (XII.28.) on the specificities of the reporting and accountancy obligations of certain other organisations under the Accounting Act
Internal Controls Decree	Government Decree 370/2011 (XII. 31.) on the internal control system and internal audit of budgetary entities
OOR	Organisational and Operational Rules

OTHER

audit plans	audit plans of the first and second half of the year submitted to the National Assembly, and the plan of the second half of the year amended in September 2022
DVA	domestic value added
EESZT	Electronic Health Services Platform
EU	European Union
IFPP	INTOSAI Framework of Professional Documents
KATA	Flat-rate tax of small taxpayers
KIVA	Small business tax
notifications	whistleblowing, complaints
small taxes	flat-rate tax of small taxpayers and small business tax
SMEs	micro, small and medium-sized enterprises
V4+2 Cooperation	SAIs of the group of countries comprising the Visegrad V4 plus Austria and Slovenia

INDEPENDENT AUDITORS' REPORT

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FÜGGETLEN KÖNYVVIZSGÁLÓI JELENTÉS AZ ORSZÁGGYŰLÉSI HIVATAL RÉSZÉRE

az

Állami Számvevőszék költségvetési fejezet
2022. évi éves költségvetési beszámolójának felülvizsgálatáról

KÉSZÍTETTE:



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Független Könyvvizsgálói Jelentés

Msz.: 2-05401
2023.03.20.

Az Állami Számvevőszék vezetésének, irányító szervének

Vélemény

Elvégeztük az Állami Számvevőszék költségvetési fejezet (továbbiakban: „ÁSZ”) 2022. éves költségvetési beszámolójának könyvvizsgálatát, amely éves költségvetési beszámoló az alábbi általunk vizsgált kimutatásokból áll:

- 2022. évre vonatkozó költségvetési jelentésből, amelyben a teljesített költségvetési és finanszírozási bevételek összege 14.221.392 eFt, a teljesített költségvetési és finanszírozási kiadások összege 14.214.139 eFt,
- 2022. évre vonatkozó maradvány kimutatásból, amelyben az összes maradvány 7.253 eFt,
- További adatszolgáltatásokból, (elszámolásokból), valamint a 2022. december 31-i fordulónapra készített mérlegből – melyben az eszközök és források egyező végösszege 3.857.132 eFt, az ugyanezen időponttal végződő költségvetési évre vonatkozó eredménykimutatásból, melyben a mérleg szerinti eredmény - 268.999 eFt veszteség –, valamint a vezetői összefoglalóból áll.

Véleményünk szerint a mellékelt éves költségvetési beszámoló megbízható és valós képet ad az ÁSZ 2022. évi éves költségvetésének teljesítéséről, az ÁSZ 2022. december 31-én fennálló vagyoni és pénzügyi helyzetéről, valamint az ezen időponttal végződő költségvetési évre vonatkozó jövedelmi helyzetéről a Magyarországon hatályos, a számvitelről szóló 2000. évi C. törvénnyel (a továbbiakban: számviteli törvény), valamint az államháztartás számviteléről szóló 4/2013. (I. 11.) Korm. rendelettel (a továbbiakban: az államháztartás számviteléről szóló kormányrendelet) összhangban.

A vélemény alapja

Könyvvizsgálatunkat a Magyar Nemzeti Könyvvizsgálói Standardokkal összhangban és a könyvvizsgálatra vonatkozó – Magyarországon hatályos – törvények és egyéb jogszabályok alapján hajtottuk végre. Ezen standardok értelmében fennálló felelősségünk bővebb leírását jelentésünk „A könyvvizsgáló éves költségvetési beszámoló könyvvizsgálatáért való felelőssége” szakasza tartalmazza.

Függetlenek vagyunk az Állami Számvevőszéktől a vonatkozó, Magyarországon hatályos jogszabályokban és a Magyar Könyvvizsgálói Kamara „A könyvvizsgálói hivatás magatartási (etikai) szabályairól és a fegyelmi eljárásról szóló szabályzat”-ában, valamint az ezekben nem rendezett kérdések tekintetében a Könyvvizsgálók Nemzetközi Etikai Standardok Testülete által kiadott „Nemzetközi etikai kódex kamarai tag könyvvizsgálóknak (a nemzetközi függetlenségi standardokkal egybefoglalva)” című kézikönyvében (az IESBA Kódex-ben) foglaltak szerint, és megfelelünk az ugyanezen normákban szereplő további etikai előírásoknak is.

Meggyőződésünk, hogy az általunk megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő alapot nyújt véleményünkhöz.

 Plusz Audit Kft.

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A vezetés és az irányítással megbízott személyek felelőssége az éves költségvetési beszámolóért

A vezetés felelős az éves költségvetési beszámolóban a számviteli törvénnyel, valamint az államháztartás számviteléről szóló kormányrendelettel összhangban történő és a valós bemutatás követelményének megfelelő elkészítéséért, valamint az olyan belső kontrollért, amelyet a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő lényeges hibás állítástól mentes éves költségvetési beszámoló elkészítése.

Az éves költségvetési beszámoló elkészítése során a vezetés felelős azért, hogy felmérje az ÁSZ-nál a gazdálkodás folytatása elvének érvényesülését, különös tekintettel a beszámolóval érintett időszakban bekövetkezett, illetve a beszámolási időszakot követő költségvetési évre tervezett szervezeti és feladatváltozásokra, és az adott helyzetnek megfelelően tegye közzé a gazdálkodás folytatása elvének érvényesülésével kapcsolatos információkat, valamint a vezetés felel a gazdálkodás folytatásának elvén alapuló éves költségvetési beszámoló összeállításáért.

A vezetésnek a gazdálkodás folytatásának elvéből kell kiindulnia, ha ennek az elvnek az érvényesülését eltérő rendelkezés nem akadályozza, illetve a gazdálkodás folytatásának ellentmondó tényező, körülmény nem áll fenn.

Az irányítással megbízott személyek felelősek az ÁSZ pénzügyi beszámolási folyamatának felügyeletéért.

A könyvvizsgáló éves költségvetési beszámoló könyvvizsgálataért való felelőssége

A könyvvizsgálat során célunk kellő bizonyosságot szerezni arról, hogy az éves költségvetési beszámoló egésze nem tartalmaz akár csalásból, akár hibából eredő lényeges hibás állítást, valamint az, hogy ennek alapján a véleményünket tartalmazó független könyvvizsgálói jelentést bocsássunk ki. A kellő bizonyosság magas fokú bizonyosság, de nem garancia arra, hogy a Magyar Nemzeti Könyvvizsgálói Standardokkal összhangban elvégzett könyvvizsgálat mindig feltárja az egyébként létező lényeges hibás állítást. A hibás állítások eredhetnek csalásból vagy hibából, és lényegesnek minősülnek, ha ésszerű lehet az a várakozás, hogy ezek önmagukban vagy együttesen befolyásolhatják a felhasználók adott éves költségvetési beszámoló alapján meghozott gazdasági döntéseit.


A Magyar Nemzeti Könyvvizsgálói Standardokkal összhangban elvégzésre kerülő könyvvizsgálatnak a részeként szakmai megítélést alkalmazunk, és szakmai szkepticizmust tartunk fenn a könyvvizsgálat egésze során. Emellett:

- Azonosítjuk és felbecsüljük az éves költségvetési beszámoló akár csalásból, akár hibából eredő lényeges hibás állításainak kockázatait, az ezen kockázatok kezelésére alkalmas könyvvizsgálói eljárásokat alakítunk ki és hajtunk végre, valamint véleményünk megalapozásához elegendő és megfelelő könyvvizsgálói bizonyítékokat szerzünk. A csalásból eredő lényeges hibás állítás fel nem társának kockázata nagyobb, mint a hibából eredő, mivel a csalás magában foglalhat összejátszást, hamisítást, szándékos kihagyásokat, téves nyilatkozatokat, vagy a belső kontroll felülírását;

- Megismerjük a könyvvizsgálat szempontjából releváns belső kontrollt annak érdekében, hogy olyan könyvvizsgálói eljárásokat tervezzünk meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy az ÁSZ belső kontrolljának hatékonyságára vonatkozóan véleményt nyilvánítsunk.
- Értékeljük a vezetés által alkalmazott számviteli politika megfelelőségét és a vezetés által készített számviteli becslések és kapcsolódó közzétételek ésszerűségét.
- Következtetést vonunk le arról, hogy helyénvaló-e a vezetés részéről a gazdálkodás folytatásának elvén alapuló számvitel alkalmazása, valamint a megszerzett könyvvizsgálói bizonyíték alapján arról, hogy fennáll-e lényeges bizonytalanság olyan eseményekkel, vagy feltételekkel kapcsolatban, amelyek jelentős kétséget vethetnek fel az ÁSZ-nál a gazdálkodás folytatása elvének érvényesülését illetően, különös tekintettel a beszámolási időszakban bekövetkezett, illetve a beszámolási időszakot követő költségvetési évre tervezett szervezeti és feladatváltozásokra. Amennyiben azt a következtetést vonjuk le, hogy lényeges bizonytalanság áll fenn, független könyvvizsgálói jelentésünkben fel kell hívni a figyelmet az éves költségvetési beszámolóban lévő kapcsolódó közzétételekre, vagy ha a közzétételek e tekintetben nem megfelelőek, minősíteniük kell véleményünket. Következtetésünk a független könyvvizsgálói jelentésünk dátumáig megszerzett könyvvizsgálói bizonyítékon alapulnak. Jövőbeli események vagy feltételek azonban érinthetik az ÁSZ-nál a gazdálkodás folytatása elvének érvényesülését.
- Értékeljük az éves költségvetési beszámoló átfogó prezentálását, felépítését és tartalmát, beleértve a vezetési értékelésben tett közzétételeket, valamint értékeljük azt is, hogy az éves költségvetési beszámolóban teljesül-e az alapul szolgáló ügyletek és események valós bemutatása.

Az irányítással megbízott személyek tudomására hozzuk - egyéb kérdések mellett - a könyvvizsgálat tervezett hatókörét és ütemezését, a könyvvizsgálat jelentős megállapításait, beleértve az ÁSZ által alkalmazott belső kontrollnak a könyvvizsgálatunk során általunk azonosított jelentős hiányosságait is, ha vannak ilyenek. Könyvvizsgálatunk során megállapítottuk, hogy az ÁSZ-nál nem tártunk fel jelentős hiányosságot.

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