

State Audit Office of Hungary

A-119-004/2011

President

**DEED OF FOUNDATION****(consolidated version, including amendment No.3)****Preamble**

By taking into consideration the provisions of the Act XXXVIII of 1992 on Public Finances and Government Decree 292/2009 (XII. 19.) on the operational rules of public finances, I establish the

**DEED OF FOUNDATION**

of the State Audit Office of Hungary that was founded by the Act of 1989 XXXVIII and is operating according to the Act of 2011 LXVI on the State Audit Office of Hungary (hereinafter: Act on SAO) as follows:

Name of the founding organisation: **A MAGYAR KÖZTÁRSASÁG ORSZÁGGYŰLÉSE / NATIONAL ASSEMBLY OF THE REPUBLIC OF HUNGARY**

Name of the budgetary institution: **ÁLLAMI SZÁMVEVŐSZÉK / STATE AUDIT OFFICE OF HUNGARY**

Short name of the budgetary institution: **ÁSZ / SAO**

Name of SAO in foreign languages:

- a) English name: State Audit Office of Hungary
- b) German name: Ungarischer Staatsrechnungshof
- c) French name: Bureau National D'Audit de la Hongrie
- d) Russian name: Счётная Палата Венгерской Республики

Headquarters: 1052 Budapest, Apáczai Csere János u. 10.

Postal address: 1364 Budapest, Postafiók 54.

Head (head of the organisation managing the chapter): the President of the State Audit Office of Hungary

Name and seat of the budgetary institution managed by the budgetary institution:

Research Institute of the State Audit Office of Hungary, 1052 Budapest, Bécsi u. 5. III. em. (hereinafter: Research Institute of SAO)

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## **Public task**

### **Article 1**

As public task, the SAO – the supreme financial and economic audit organ of the National Assembly – is to audit the responsible management of public funds, as well as that of state and local government property, in compliance with the stipulations of the respective laws.

## **Basic activity**

### **Article 2**

- (1) Number and designation of the professional task: 841113. Activities of the organs of the state and of autonomous organs.  
Classification according to public finances sector: 841101. Activities of the organs of the state.
- (2) Within the framework of its basic activity, while fulfilling its public task defined in Article 1, the SAO shall attend to the following **tasks**:
  - a) audit the financial management of public finances, including the substantiation of the state budget proposal (supplementary budget proposal), the feasibility of revenue appropriations as well as the legality and expediency of the utilisation of investment appropriations that involve public commitments;
  - b) as part of auditing the financial management of the general government, audit the operation of the chapters within the structure of the central budget, the utilisation of social security funds and separated state funds, as well as the financial management of local governments, minority self-governments and their associations;
  - c) as part of its audit of the utilisation of funds originating from public finances, audit the organisations (institutions) funded from the central budget as well as the utilisation of the subsidies granted from public funds or of the public assets allocated for specific purposes free of charge from public funds at local governments, national and local minority self-governments, public foundations (including business associations established by public foundations), public bodies, public benefit organisations, economic organisations, social organisations, foundations and other beneficiary organisations; where a beneficiary organisation receives subsidies from public funds other than the transfer of a specified portion of the personal income tax on taxpayers' instruction, or receives free allocation of assets, the financial management of such beneficiary organisation may be audited in its entirety;
  - d) within the framework of auditing national assets
    - da) audit the management of assets belonging to the scope of public finances; the financial management of such assets; such activities of economic organisations owned in full or in part by the state, or owned for the most part by local governments, that are aimed at preserving and increasing the value of such assets; and compliance with the rules regarding the alienation and encumbrance of assets belonging to the scope of public finances;

- db) may audit the property management of economic organisations owned in full or in part by the state or local governments,
- e) in relation to its audit assignments pursuant to points c)–d), may audit procurements funded from the subsystems of public finances and contracts concerning the assets belonging to the subsystems of public finances at the principals (asset managers), at the individuals or legal entities acting on behalf of or representing the principals (asset managers), at the contracting parties that are responsible for the performance of such contracts, as well as at any parties participating in the performance of such contracts;
- f) during its audit, evaluate compliance with the accounting rules of public finances, as well as the operation of the internal control system of public finances;
- g) audit the final accounts on the execution of the central budget; the scope of the audit carried out by the State Audit Office of Hungary on the implementation of the central budget shall include
  - ga) the final accounts prepared with regard to the implementation of the budget of social security funds and the financial statements of the social security funds,
  - gb) the final accounts prepared with regard to the implementation of the budget of separated state funds;
- h) audit the tax levying and other revenue-generating activities of the tax authority and of the local governments, as well as the activities of the customs authority;
- i) audit the financial management of the National Bank of Hungary, as well as any activity it conducts under the Act on the National Bank of Hungary that falls outside the scope of its basic tasks; accordingly, the State Audit Office of Hungary shall examine whether the National Bank of Hungary operates in compliance with the relevant legal regulations, its own Statutes and the resolutions of its General Assembly;
- j) as required by provisions of law, the State Audit Office of Hungary – in terms of legality – shall audit
  - ja) the financial management of political parties,
  - jb) the utilisation of the contributions granted by the National Assembly to the groups of Members of Parliament representing each political party,
  - jc) the utilisation of normative subsidies and subsidies for specified purposes allocated from public funds to churches as well as to institutions and organisations maintained and operated by churches,
  - jd) the data regarding the utilisation of the budget for special operating costs of the national security services.
- k) the audit conducted by the State Audit Office of Hungary may be limited by law to the examination of regularity aspects;
- l) upon the request of NATO, the European Union, respectively of such international organisations Hungary is a member of, further to implement obligations deriving from international contracts undertaken by the National Assembly or the Government – also for remuneration – may carry out audits, perform experts' activities in its own competence at home and abroad. Any activity of the State Audit Office of Hungary specified in this paragraph shall be performed so as to avoid any risk to the fulfilment of its audit plan.

## **Entrepreneurial activities**

### **Article 3**

The SAO shall not pursue **entrepreneurial activities**.

## **Classification according to financial management and competences**

### **Article 4**

SAO is an independent chapter in the structure of the central budget and is an individually operating budgetary institution with its own financial management, whose scope of authority covers the territory of Hungary.

## **Exercising founder's and management rights**

### **Article 5**

- (1) **The National Assembly of the Republic of Hungary** (seat: 1055 Budapest, Kossuth tér 1-3.) shall exercise the following management rights in its capacity of a managing organ empowered by founder's rights:
  - a) establish, transform and terminate the SAO,
  - b) elect, remove, exclude the head of the SAO and declare conflict of interest in relation to them,
  - c) audit the financial management of the State Audit Office of Hungary by an independent chartered accountant with 'budgetary' qualifications, selected and appointed by the Speaker of the National Assembly in a public procurement procedure,
  - d) obligate SAO to carry out an audit, report or give an account,
  - e) in cases stipulated by the law, a priori or a posteriori authorise SAO's decisions,
  - f) issue a special order to perform a task or to compensate omissions.
- (2) **The President of the State Audit Office of Hungary** (seat: 1052 Budapest, Apáczai Csere János u. 10.) shall exercise the following management rights:
  - a) publish or amend the deed of foundation,
  - b) approve and publish the Organisational and Operational Rules of SAO,
  - c) elect, remove the executive officers, the financial manager and auditors of SAO, allocate their remuneration and withdraw the appointment to an executive position,
  - d) exercise the rights of the organ managing the chapter, concerning the operation and financial management of the chapter as defined in a specific act,
  - e) obligate the Research Institute of SAO to report or give an account,
  - f) in cases stipulated by the law, a priori or a posteriori authorise the decisions of the Research Institute of SAO,
  - g) issue a special order to perform a task or to compensate omissions.
- (3) If the President of the State Audit Office of Hungary is being prevented, the Vice-President of the State Audit Office of Hungary shall exercise the management rights within the powers regulated by the President.

## **The procedure of appointing the head of the organisation and their deputy**

### **Article 6**

- (1) The National Assembly shall establish an eight-member nominating committee consisting of Members of Parliament to propose persons who can be elected President of SAO. The person nominated for President of SAO shall be heard by the committee of the National Assembly responsible for matters related to the State Audit Office of Hungary. The Parliament shall elect the President of the SAO for a term of 12 years, and they can be re-elected upon the expiry of their mandates. If not re-elected, following the expiry of their mandate, the President of the State Audit Office of Hungary shall remain in office until the new President of the State Audit Office of Hungary is elected by the National Assembly.
- (2) The Vice-President of the SAO shall be appointed by the President for a term of twelve years. The rules pertaining to the President of the State Audit Office of Hungary shall be applied to the Vice-President of SAO elected pursuant to Article 32/C(3) of Act XX of 1949 on the Constitution of the Republic of Hungary and Article 8 of Act XXXVIII of 1989 on the State Audit Office, and being in office on 1 January 2012, until the termination of their mandate, with the understanding that for the purposes of those Articles, President of the State Audit Office of Hungary shall mean the Vice-President of the State Audit Office of Hungary.

## **Legal relationships of employment**

### **Article 7**

Issues related to the legal relationship of the executive officers, auditors and civil servants of the State Audit Office of Hungary not regulated in the Act on SAO shall be governed by the provisions of Act XXIII of 1992 on the Legal Status of Civil Servants, whereas the legal relationship of other employees shall be governed by the provisions of Act XXII of 1992 on the Labour Code as appropriate.

## **Final provisions**

### **Article 8**

- (1) Except as provided for in paragraph (2), this Deed of Foundation shall enter into force on 1 July 2011.
- (2) Article 6(2) shall enter into force on 1 January 2012, pursuant to Article 34(2) of the Act on SAO.
- (3) Simultaneously with the entry into force of the present Deed of Foundation, the Deed of Foundation published in a consolidated version, including amendment No. 2 on 27 May 2009 under the number A-71-4/2009 shall be repealed.

Budapest, 22 August 2011

László Domokos  
President