

The strategy of the State Audit Office of Hungary 2006–2010

Document

INTRODUCTION

The State Audit Office of Hungary – the financial and economic audit organisation of the National Assembly – has been publishing its strategy for the third time since 1998, aiming at responding challenges under the unity of continuity and adaptation to a changing environment, weighting duties to be able to fulfil its social and constitutional mission in a reliable and successful way by efficiently utilising its resources on complying with its legal obligations.

Basic objectives set in the earlier strategy of the State Audit Office of Hungary (2002–2006) included developing a methodology complying with international standards and requirements of the European Union, making audits qualifying the reliability of the final account more complete, modernising audits of local governments, developing a comprehensive advisory activity evaluating the utilisation of public funds and public property.

By implementing its strategy, the State Audit Office of Hungary has established the conditions for performing its broadening audit tasks by applying a methodology that is in line with both the international standards and the best international practices. Basic rules of auditing at the State Audit Office of Hungary (of which main elements are the Code of Ethics, Audit Principles

and Standards, and the Audit Manual) have been developed, and a closely related quality management system of audits carried out by the State Audit Office of Hungary has been set up. The audits qualifying the reliability of final accounts have become more complete, and the amounts of budgetary revenue and expenditure covered in this way have significantly grown. Regular and comprehensive audits of local governments managing considerable funds and properties have been performed, meaning that the State Audit Office of Hungary has audited each local government in the past four years. A number of studies – also addressed by the agendas of parliamentary committees – have analysed the major problems of public finances.

Under the agenda of continuity, the organisation carries on with and strengthens the main trends of actions taken in the past four years. In addition, the State Audit Office of Hungary has also considered the changes in the external environment when developing its strategic objectives, first of all the fact that making the best of the benefits of the EU membership and compliance with the European requirements pose unavoidable challenges for public finances.

Besides complying with the Maastricht convergence criteria, developments indispensable for an improved competitiveness and social problems related to demographic changes also need to be

addressed, and essential changes to the participation of the state also require a reform-scale reorganisation. Emphasis has been placed on the modernisation of the central public administration and the system of local governments, on regional-ity, as well as on the utilisation of EU resources. This undoubtedly requires a genuine economic and budgetary policy, the reform of the financial system, and all combined with the predictability, transparency and accountability of public finances and processes related to public funds.

In the circumstances indicated above, a fundamental strategic ambition of the supreme organ of state auditing is to provide even more assistance to a regular, efficient and balanced operation of the public sector and public finances through its audits,

analyses and proposals, and to initiate the essential processes of reorganisation as much as possible. The role of the State Audit Office of Hungary is to call attention to the sensitive areas in the utilisation of public funds; however, any progress is dependent on the decisions of the National Assembly and the government organisations.

In the strategy for the years 2006-2010, the State Audit Office of Hungary defines the major principles and values underlying its activity, arranging the medium-term objectives in three main groups, with the indication of associated tasks to be performed in order to achieve them, as well as development trends of supporting activities (human resources policy, communication, methodology and information technology).

MISSION AND VISION

The mission of the State Audit Office of Hungary (SAO) is to serve the secure, balanced and efficient operation of public finances, to support development, to strengthen the transparency of processes related to public funds, and the accountability of managing public funds and public property.

The activity of the SAO contributes to set compliance with the rules as a general standard, to make the management of public funds and public property more effective and efficient.

PRINCIPLES AND VALUES

By virtue of its position in a constitutional state, its statutory obligations and authorities, the main duty of the State Audit Office of Hungary is to facilitate the National Assembly exercise its budgetary right, and fulfil its legislative and control function. This is accomplished relying on the following principles and values.

The State Audit Office of Hungary,

- based on the fundamental values of its activity performed for over fifteen years, as well as the stability, unity and professional potential of the organisation, is ready for an ongoing revival, consciously adapts to the changes of the social, economic, and auditing environment;
- conducts audits, makes proposals and carries out advisory activities with the intention to help, and aims at preventing errors, deficiencies and irregularities with its audit results, encouraging the reform of the operation of public finances;
- is a committed supporter of quality-oriented management and operation, which is consistently enforced in each area of its operation;
- enforces the same requirements of efficiency and transparency in its operation as it requires when carrying out audits;
- actively participates in developing the audit culture and the public auditing system, utilising its audit experiences and the results of its scientific research.

Guarantee conditions for enforcing the principles and values are as follows: the con-

stitutional legal status of the State Audit Office of Hungary; its complete independence from politics; the publicity of and free access to its reports; the professional reliability; and the commitment of the management and the staff.

STRATEGIC TRENDS, OBJECTIVES AND TASKS

The fundamental principle underlying the activities of the State Audit Office of Hungary is to put an emphasis on recommendations developed with intent of improvement, based on findings and conclusions. In this way, it primarily focuses on activities and conduct supporting management and decisions, instead of finding errors and persons accountable or imposing sanctions. Aiming at a balanced and secure operation of public finances, SAO audits should ultimately influence the financial management of the state, the major monetary processes and the underlying real processes.

A fundamental value of modern auditing is the competence related to procedures, methodology and information technology. However, the effectiveness of the SAO's activity depends on the relationship with each particular audit field and subject, and the areas of utilising experiences, while technical, organisational and human resources capacities and opportunities also have an impact on auditing.

Considering all these, the SAO defines the main development trends of auditing, as well as the objectives concerning the development of organisational management, professional work and public relations in a way that ensures compliance with its special role as a guarantor, in line with the challenges of the new millennium.

Strategic trends are as follows:

- supporting the transparent and regular operation of public finances, the reinforce-

ment of budgetary responsibility, and initiating necessary changes;

- facilitating the efficient accomplishment of state-related tasks;
- taking further efforts to modernise its organisational management and internal division of labour;
- implementing a quality-oriented development of its professional regulation system;
- modernising communication activity;
- contributing to improving the standard of audit culture.

DEVELOPING THE AUDIT ACTIVITY

THE STATE AUDIT OFFICE OF HUNGARY SUPPORTS THE TRANSPARENT, REGULAR AND ACCOUNTABLE OPERATION OF PUBLIC FINANCES WITHIN THE PUBLIC SECTOR, AS WELL AS THE REINFORCEMENT OF BUDGETARY SECURITY AND RESPONSIBILITY.

A comprehensive audit opinion is given on the reliability of final accounts of the central budget, provided that the internal audit units of the budgetary chapters have accomplished their assigned tasks. It provides professional and methodological assistance to budgetary chapters in qualifying the statement of accounts of their institutions.

It develops the comprehensive audit of budgetary chapters into a modern system audit, which is used to facilitate developing the operation of internal control systems.

It further develops the audits of the financial management of local governments:

- it renews the comprehensive audit of local governments having considerable budgets and property (in counties, towns with county ranks, towns, the capital, and districts of the capital), supplemented by performance audit elements, and the assessment of rules followed in case of applying for and utilising EU funds;

- by way of its audits of final accounts of the central budget, it facilitates renewing the regulation system of local governments.

It initiates and supports the renewal of the procedures applicable to the operation, planning, accounting and control of public finances, and, linked to it, the elaboration of a full and consistent (re)regulation of the financial management of public property.

It strengthens its advisory function in providing an opinion on budget planning, with special attention to the security and feasibility of the budget.

It assists the operation of the internal and external audit systems of public finances to rely on each other, with a unified system of professional requirements in order to utilise auditing resources in an efficient way.

It detects the risk factors in the relations and recent investment and development cooperation of public finances and the private economy, it assesses the degree of regulation for projects being implemented and the efficiency of the applied financial arrangements.

It investigates the reasons for corruption, as well as areas and processes representing increased risk.

It increasingly conducts audits of implementing the supported targets, also including final beneficiaries.

THE STATE AUDIT OFFICE OF HUNGARY FACILITATES THE EFFICIENT AND EFFECTIVE ACCOMPLISHMENT OF STATE-RELATED TASKS, PAYING SPECIAL ATTENTION TO THE BALANCE-RELATED CRITERIA OF PUBLIC FINANCES AND THE MODERNISATION OF LARGE COMMUNITY SUPPLY SYSTEMS.

It audits the efficiency and effectiveness of the accomplishment of state-related tasks within and out of public finances, reveals parallel courses and areas of the public sector where a restructuring of the system of tasks is urgent. The SAO evaluates the professional support of and progress in the reorganisation and reform of public finances.

It also encourages to carry out performance audits that facilitate more efficient operation of large supply systems, as well as to prepare comprehensive analyses and assessments relying on these.

For the purposes of fully utilising and making a proper use of EU funds, and protecting EU financial interests,

- it audits the institutional, planning, financial and economic relations of regional and settlement development and of regionality, with special attention to micro-regions;
- it examines the utilisation of resources serving the purpose of enforcing EU cohesion policy, evaluates the implementation of national development programmes and the related (sub) tasks, and the utilisation of financial aids;
- it prepares an annual information report and assessment (trend report) on the utilisation of EU funds, the work of national control organisations and the audit results for the National Assembly and the European Court of Auditors.

It audits and analyses budgetary revenues, the system of allowances, exemptions, and revenue assignments affecting budgetary revenues, as well as the impacts of these.

It develops its advisory services, intensifies the analysis and assessment work directed at certain key areas and neuralgic points of public finances.

ORGANISATIONAL MANAGEMENT AND DEVELOPING PROFESSIONAL WORK

THE STATE AUDIT OFFICE OF HUNGARY TAKES FURTHER EFFORTS TO MODERNISE ITS ORGANISATIONAL MANAGEMENT SYSTEM AND INTERNAL DIVISION OF LABOUR.

It boosts cooperation between management levels and organisational units by a system-driven development of internal information and coordination.

It harmonises and builds thematically related audits on each other in order to increase the efficiency of audit activity. It increases the use of work organisation solutions beyond the limits of organisational units within the framework of its audit and other tasks.

It ensures the protection of the most important professional value of the State Audit Office of Hungary, i.e. professional knowledge. For this purpose

- it motivates innovative conduct of the staff, and supports ongoing development of their professional competence, with a view to any qualification requirements related to joint work carried out on request from international audit organisations;
- it develops its activity aimed at replacement, recruitment and training.

Through continuous and reasonable IT development, it supports the efficient operation of the institution, also coordinated with the competent government institutions.

THE STATE AUDIT OFFICE OF HUNGARY IMPLEMENTS A CONTINUOUS AND QUALITY-ORIENTED DEVELOPMENT OF ITS PROFESSIONAL REGULATION SYSTEM.

On a continuous basis, it develops the professional regulation system of audits carried out by the institution, considering experiences gained through application, and taking into account international developments and the best practices.

It carries out further development of audit planning methods, audit procedures and the format of displaying audit results, including the selection of subjects based on conscious and up-to-date analysis methods, a computer assisted and standardised documenting system for performing audits, as well as the modernisation of the internal structure of audit reports.

With a view to a constant good quality and reliability of audit activity and the resulting

reports, it ensures complete implementation, proper operation, continuous maintenance and development of the integrated quality management system.

DEVELOPING PUBLIC RELATIONS

THE STATE AUDIT OFFICE OF HUNGARY FURTHER DEVELOPS ITS COMMUNICATION CONTACTS, AND USES THE FACILITIES AND THE POWER OF PUBLICITY.

With the additional application of recent technical equipment, it systematically develops communication, in line with the specific requirements and expectations of the National Assembly, the government, the citizens and other targeted user groups.

Relying on the results achieved, it completes a uniform institutional image that represents the fundamental values of the organisation.

BY ITS EXPERIENCE GAINED THROUGH AN ACTIVE PARTICIPATION IN THE DOMESTIC AND INTERNATIONAL ARENA OF THE AUDIT PROFESSION, THE STATE AUDIT OFFICE OF HUNGARY CONTRIBUTES TO IMPROVE THE STANDARD OF AUDIT CULTURE.

It participates in the professional activity of international audit organisations and in the cooperation of partner institutions under extensive, bilateral and multilateral conditions.

It follows the changes of content and methodology in the professional activities carried out by international audit organisations and by national audit offices. The SAO examines and analyses the way and the extent of reasonable adaptation to these changes, and the ways of participating in disseminating up-to-date professional knowledge within international framework.

In order to train future economic experts and influence their attitude, it develops its rela-

tions with universities and colleges, also reinforced by cooperation agreements. Compared to earlier times, it assumes an increased role in teaching auditing.

It participates in the activities of social associations and societies addressing economic, financial and auditing issues. It seeks to utilise its audit experiences and the results of its assessment activity – with special regard to the

preventive role of auditing – also by way of its professional contacts.

Under its advisory activity, the SAO is the editor of the professional journal of public finance published in Hungarian and English.

May 2006

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