



SIGMA

Support for Improvement in Governance and Management in Central and Eastern European Countries

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HUNGARY REPORT ON ANTI-FRAUD SYSTEM 2001

TABLE OF CONTENTS

1	GENERAL OVERVIEW.....	3
1.1	INTRODUCTION	3
1.2	INSTITUTIONAL ARRANGEMENTS.....	3
1.2.1	<i>Statutory base for anti-fraud systems, institutions, and functions.....</i>	<i>3</i>
1.2.2	<i>Prevention and deterrence.....</i>	<i>3</i>
1.2.3	<i>Detection and investigation.....</i>	<i>4</i>
1.2.4	<i>Prosecution.....</i>	<i>4</i>
1.2.5	<i>Redress and punishment.....</i>	<i>5</i>
1.3	CO-OPERATION WITH OLAF	5
1.4	CAPACITIES TO DEVELOP THE ANTI-FRAUD SYSTEM.....	5
1.5	SUMMARY	5
2	MAIN INSTITUTIONS.....	6
2.1	CRIMINAL INVESTIGATION DIRECTORATE (CID) OF THE HUNGARIAN TAX AND FINANCIAL CONTROL ADMINISTRATION.....	6
2.1.1	<i>Legal Framework</i>	<i>6</i>
2.1.2	<i>Relations with other Institutions.....</i>	<i>6</i>
2.1.3	<i>Relations with OLAF</i>	<i>6</i>
2.1.4	<i>Staff, Facilities, Equipment, Budget</i>	<i>6</i>
2.1.5	<i>Working Methods.....</i>	<i>7</i>
2.2	CUSTOMS AND FINANCE GUARD	8
2.2.1	<i>Legal Framework</i>	<i>8</i>
2.2.2	<i>Relations with other Institutions.....</i>	<i>8</i>
2.2.3	<i>Relations with OLAF.....</i>	<i>8</i>
2.2.4	<i>Staff, Facilities, Equipment, Budget</i>	<i>8</i>
2.2.5	<i>Working Methods.....</i>	<i>9</i>
2.3	PROSECUTION SERVICES.....	10
2.3.1	<i>Legal Framework</i>	<i>10</i>
2.3.2	<i>Relations with other Institutions.....</i>	<i>10</i>
2.3.3	<i>Relations with OLAF</i>	<i>10</i>
2.3.4	<i>Staff, Facilities, Equipment, Budget.....</i>	<i>10</i>
2.3.5	<i>Working Methods.....</i>	<i>11</i>
2.4	STATE AUDIT OFFICE.....	12
2.4.1	<i>Legal Framework</i>	<i>12</i>
2.4.2	<i>Relations with other Institutions.....</i>	<i>12</i>
2.4.3	<i>Relations with OLAF.....</i>	<i>12</i>
2.4.4	<i>Staff, Facilities, Equipment, Budget</i>	<i>12</i>
2.4.5	<i>Working Methods.....</i>	<i>12</i>
2.5	GOVERNMENT CONTROL OFFICE.....	13
2.5.1	<i>Legal Framework</i>	<i>13</i>
2.5.2	<i>Relations with other Institutions.....</i>	<i>13</i>
2.5.3	<i>Relations with OLAF.....</i>	<i>13</i>
2.5.4	<i>Staff, Facilities, Equipment, Budget</i>	<i>13</i>
2.5.5	<i>Working Methods.....</i>	<i>14</i>

2.6	MINISTRY OF JUSTICE	15
2.6.1	<i>Legal Framework</i>	15
2.6.2	<i>Relations with other Institutions</i>	15
2.6.3	<i>Relations with OLAF</i>	15
2.7	MINISTRY OF FINANCE.....	16
2.7.1	<i>Legal Framework</i>	16
2.7.2	<i>Relations with other Institutions</i>	16
2.7.3	<i>Relations with OLAF</i>	16
2.7.4	<i>Staff, Facilities, Equipment, Budget</i>	16
3	LIST OF ANTI-FRAUD DOCUMENTATION COLLECTED JUNE 2001.....	17

1 GENERAL OVERVIEW

1.1 Introduction

The main institutional actors are the Criminal Investigation Directorate of the Hungarian Tax and Financial Control Administration, the Tax and Finance Guard, the Criminal Police and the Prosecution services.

There is not an anti-fraud strategy as such, but the Government decided on 14 March 2001 on a strategy against corruption and an Anti-Corruption Council. This Council will be led by the Minister of Justice and the Minister in Charge of the Prime Ministers Office. It will review implementation of the strategy and discuss means for efficient prevention. All ministries and agencies were asked to develop an anti-corruption strategy, including an action plan, implementation milestones and recommendations for regulatory changes by 13 June 2001.

Hungary takes an active part in GRECO (Council of Europe). A review of the country's capacities in the area of Justice and Home Affairs was due to be performed by the European Commission from July to September 2001.

1.2 Institutional arrangements

1.2.1 *Statutory base for anti-fraud systems, institutions, and functions*

The legal framework is in place. All institutions involved in anti-fraud activities stand on a clear and comprehensive legal base (Police Act, Act on Prosecution Service, Customs Act, Act on Certain Duties of the Tax and Financial Control Administration, Criminal Procedure Code, Penal Code). A few amendments to the Criminal Code and the Customs Act, necessary to fully comply with EU requirements, are currently being drafted and will be adopted in the autumn. The substantive legal and regulatory framework necessary to prevent and detect fraud in the budget organisations through internal control systems is basically in place, even if further effort is needed to strengthen the internal audit system.

The 2001 amendments to the Civil Service Act have introduced a Code of Conduct, which based on a decision of Parliament will be issued as a recommendation by the Ministry of the Interior.

Hungary has signed and ratified the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of the proceeds from crime, as well as the Criminal Law Convention on Corruption but not the Civil Law Convention. It has also ratified and put into force the implementing legislation to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

1.2.2 *Prevention and deterrence*

EU Funds are integrated in the national budget and accounting system and are subject to the same control procedures as for the Hungarian State budget, together with additional EU requirements as far as pre-accession funds are concerned. Prevention of fraud and irregularities are based on the separation of functions regarding tendering, contracting, committing, payment orders and payments as prescribed in regulations and procedures. The National Fund system with a CFCU and Implementing Agencies is in place and operating.

Heads of spending units, as defined in the implementing rules to the Public Finance Act, are responsible for establishing internal control and internal audit systems in compliance with common criteria defined by the Ministry of Finance. However, the effectiveness and efficiency of the Internal Audit Units is not yet sufficient. A Commission has been created including the State Audit Office, to improve the internal control system. The Government Control Office also has a mandate to carry out internal audit, but with only 36 staff in the control section, responsible for country-wide internal audit, it cannot counterbalance the still weak internal audit units in administrative bodies.

The Hungarian State Audit Office has significantly improved its capacities over the last years and is called upon by the Government to assist in the improvement of the internal control systems, including fraud prevention and detection. The State Audit Office is regarded as an important partner by most fraud investigating bodies.

As concerns money laundering, the OECD Financial Action Task Force on Money Laundering (FATF) has identified serious deficiencies in Hungary, in its twelfth annual report published on 22 June, 2001.

In the context of the anti-corruption strategy the ministries are reviewing several policy areas to assess the need for possible amendments to the legal framework to strengthen prevention. Areas under scrutiny are party financing, disclosure of assets, lobbying, data protection, public procurement, etc.

According to Transparency International, Hungary is one of the three candidate countries with relatively low perceived corruption, though not as low as most of the EU Member states. Specific surveys on fraud do not exist, but would most probably not differ much from the corruption scale.

1.2.3 Detection and investigation

Fraud investigating bodies that could meet with cases involving the protection of the financial interests of the European Communities include:

- the Criminal Police, specialised in economic crime and organised crime;
- the Criminal Investigation Directorate of the Hungarian Tax and financial Control Administration;
- the Customs and Finance Guard Investigation Services.

The nature and scope of the investigations differ in line with the legal basis and mandate of each of these organisations. All investigation services are entitled — to different degrees — to exercise police powers and use surveillance and operative investigation techniques. In some cases, such as telephone tapping, they do need authorisation of the judicial authorities (as the case may be by Prosecutor or Investigative Judge).

Recruitment of qualified staff was a problem in some of the services. However, the salary reform, which came into force on 1 July 2001 should reduce this problem considerably. Except for the police, young professionals seem to find the investigation bodies rather attractive. Staffing seems adequate and modern equipment is available to the services.

To ensure professional integrity of the staff involved in investigation activities, there exist disciplinary provisions and a code of ethics. In addition, special internal control divisions, distinct from the investigation structures, are in place in all the organisations.

1.2.4 Prosecution

The Prosecution Services of Hungary are responsible for initiating and conducting criminal prosecution, in accordance with the Code of Criminal Procedure and the Act on the Prosecution Services. The General Prosecutor is competent to conduct investigations (in criminal cases within its competence), exercise supervision over the lawfulness of the investigations and indict and act as public attorney in the course of judicial proceedings.

The Prosecutor's offices are comprised of departments specialised in economic crime and may draw any criminal case from the investigation organ. They are in charge of prosecuting perpetrators of criminal offences related to organised crime, including corruption, and operate throughout the

Hungarian territory. The General Prosecutor decides on the involvement of the Group for Special Tasks, which is in principle only required to take cases if they involve a large number of persons.

The Prosecutor's offices seem generally to be appropriately staffed, both in quantitative and qualitative terms and their legal status provides a sufficient base for independence.

1.2.5 Redress and punishment¹

There is an administrative redress procedure and a criminal court procedure. The criminal procedures law, as well as the criminal law, are being amended to meet EU standards. The judges and the prosecution services are independent. The prosecutor has the task to ensure that the court proceeding, the decisions made in the case and the enforcement thereof are in compliance with the acts.

1.3 Co-operation with OLAF

The Hungarian Investigation Institutions as well as the Prosecution Services are informed about OLAF and its activities; and most of them are in permanent contact with OLAF.

1.4 Capacities to Develop the Anti-fraud System

The responsibilities of the investigation institutions regarding criminal offences are strictly separated. Co-operation between the different institutions still seems to be less than optimal. Efforts have been undertaken to create more synergy amongst the services. In particular, the two services under the Ministry of Finance are very active and have shown impressive results. The Ministry of Finance is aware of the need for further co-ordination and has taken up the task. However, it may take some time to develop a comprehensive anti-fraud system, as the stakeholders are strong organisations that see more co-ordination as a loss of power.

1.5 Summary

Taken as a whole the arrangements to prevent and fight against fraud seem more or less satisfactory but they are not free of risk for the protection of the financial interests of the European Communities.

The basic integrity framework is adequate at the legal level but implementation is not yet fully achieved. Although the institutions directly involved in anti fraud activities have adequate powers they still have some capacity. Inter-institutional co-ordination on operations will need strengthening. There is not an anti-fraud strategy as such, but the Government strategy against corruption of March 2001 could develop towards a tool to address fraud issues as well.

1. Although the Justice system is a vital part of the Anti-Fraud system in a country, it was beyond us to undertake a systematic review in the context of this exercise. We record any useful information which we have gathered, but note that it has not been subject to contradiction.

2 MAIN INSTITUTIONS

2.1 Criminal Investigation Directorate (CID) of the Hungarian Tax and Financial Control Administration

2.1.1 *Legal Framework*

The CID was established as an integral part of the Tax and Financial Control Administration (APEH) under the Ministry of Finance based on the Act XCIII of December 1998. It started its activities in February 1999. The Act XCIII empowers the CID to investigate tax and contribution related crimes as determined by the Criminal Procedures Act and described in the penal code. These are in particular, acquisition of unlawful economic advantage, infringement of accounting discipline, bankruptcy crime, tax and social fraud, fraud, if it is committed in relation with tax, contribution or budgetary subsidy falling under the jurisdiction of tax administration. Organised crime in this area also falls in the mandate of the CID. The CID has no competencies in the area of money laundering. The investigation rights of the CID are rather wide. They include questioning, searching and seizing. In accordance with the Police Act, the CID may also work under cover and may as well apprehend perpetrators.

The legal framework governing the activities of the CID (Act XCIII, the Police Act, the Criminal Procedures Act and the Criminal code) does not differentiate between EU or national funds.

2.1.2 *Relations with other Institutions*

The Organisational and Operational Regulations of the CID offer a clear guideline for co-operation, including not only state bodies but also non-governmental organisations. Co-operation exists with several equivalent services in foreign countries, including EU Member states, and there are formal agreements on co-operation with other national Investigation Services/Authorities, e.g. the police, customs, boarder guards. If in a case investigation responsibilities are overlapping, the Prosecution Services may decide on separating the investigation of different crimes or assign the whole investigation to one of the investigation services.

2.1.3 *Relations with OLAF*

The CID is not fully informed about the organisation, activities and competencies of OLAF. A legal framework, related to the exchange of information with OLAF does not yet exist, but the CID may exchange information with the competent authorities in EU Member states, in line with the existing multilateral treaties, on avoidance of double taxation or on the fight against organised crime.

2.1.4 *Staff, Facilities, Equipment, Budget*

The CID is part of the Tax and Financial Control Administration; its budget amounts to 513 Mio. HUF (about 2.2 Mio EURO), excluding wage costs. The CID has 400 staff of which 267 are tax investigators. Most of the staff works in the 19 regional offices, about 10 to 12 staff in each office, except for the Budapest office, which is staffed with about 60 persons. The directorate itself has about 120 staff. For 2001 the CID had an additional budget allocation of 30 staff. When the office was created, two years ago staff was mainly recruited from the criminal and financial investigation staff of the police and the tax administration. Investigating staff usually have a higher degree in law, economics or finance. Remuneration levels in the CID are higher than those in the Police. The average salary of the staff (including allowances) amounts to 258 000 HUF (about 1 049 Euro). The new law on civil servants (effective as of 1 July 2001) has abolished the possibility of a so-called personal salary (which could be higher than the statutory entry salary by taking into account age and qualification of the new recruit) to the newly recruited staff. This may make it more difficult for the CID to recruit highly qualified staff, even if the new law does provide for performance bonuses.

The CID disposes of an internal computer network, linked to all decentralised offices and the portable computers allocated to the investigation offices (with the possibility of cordless data transmission). This network allows direct access to the collected intelligence and the analysed data. There is not yet a common computer network for all investigation services, except access to a few nation-wide databases, e.g. passports, vehicle registry, addresses, wanted persons, etc.. Data are exchanged between investigation authorities on request. In about a year the CID will dispose of a plotter to ease the analysis of collected intelligence and its investigation work.

2.1.5 Working Methods

The CID uses the standard methods and powers established in criminal procedures act and in the police act, which is supplemented by the act XCIII and the organisational and operational regulations of the CID.

Unless otherwise provided for by law, the investigations are carried out by the regional investigating offices. The information gathered in these offices is checked and recorded in the centre and if necessary orders or instructions are given are given. On the basis of criminal data available, the centre (with the approval of the Criminal Director) may also give a direct order to start investigation. The central investigation unit of the CID may take over (with the approval of the Criminal Director) the investigation of a regional office at any time and may also conduct investigations with the co-operation of a regional office.

While conducting investigations the CID has to observe the rules of Act I of 1973 on Criminal Procedures, which contains clear provisions related to the rights of suspected persons, concerning detention, interrogation, etc. Suspected persons have the right to complain to the Prosecution Services against activities of the CID.

If the investigations are completed and all evidence collected the files are submitted to the Prosecution Services with a proposal of indictment.

The CID is mandated to preliminary seize or freeze funds or the instruments of a crime. The confiscation of funds or property is subject to a court sentence.

The CID takes part in a co-ordination group on fighting organised crime.

The Prosecution Services oversee the activities of CID and all other special investigation and enforcement services with regard to the legality of the proceedings.

2.2 Customs and Finance Guard

2.2.1 *Legal Framework*

The Customs Department is subordinated to the Ministry of Finance. Its main legal basis is the Customs Act, which came into force 1995. The Act was amended substantially in 2000 to meet EU requirements (enforcement 1 July 2000). Another legal base is the Act on spirits and excise duty of 1993. A new amendment to the Customs Act is prepared to achieve full compliance with the EU standards.

The customs administration was restructured, based on Government Resolution 35/1198 in accordance with the EU spatial development. The restructuring of the Customs and Finance guard was finished by March 2000. This restructuring entailed the creation of a separate Investigation structure with a National Law Enforcement Centre and Investigation service on regional and county level.

Main functions of the investigation services are:

- To carry out preliminary investigations of smuggling and other customs fraud.
- To carry out Customs intelligence tasks.
- To perform the enforcement duties linked to obligations under international agreements.

However, to date the Customs and Finance Guard has no mandate to investigate drug smuggling. It is proposed to include this mandate in the amendments to the Customs Act.

2.2.2 *Relations with other Institutions*

The Law on Customs provides for a general obligation of co-operation with police and the Prosecutor's office. For special investigations, e.g. telephone tapping, the Guard uses the technical equipment of the State Security Support Services. The Customs and Finance Guard co-ordinates with all investigation services. It works on co-ordinating committees, e.g. on drug smuggling and on organised crime.

2.2.3 *Relations with OLAF*

The Control and Investigation department is directly linked to OLAF. This co-operation has been reinforced, based on the Government decree, implementing the Protocol no. 6 under the Europe Agreement between the European Communities and their Member states and Hungary, which states the obligations of mutual assistance in customs matters. In the first 6 month of 2001 the Customs and Finance Guard had 31 requests from OLAF and submitted 20 requests to OLAF.

2.2.4 *Staff, Facilities, Equipment, Budget*

The Hungarian Customs and Finance Guard has about 7 000 permanent staff in uniform and about 1 000 civilian staff. About 580 staff are investigators working all over the country. About 140 of the investigators are responsible for posterior checks, which according to law can be done during five years after the fact. 350 of the investigators are in patrolling service, who undertake unexpected checks on roads, car parks, plants, warehouses and markets. The Customs and Finance guard disposes of 30 "search groups" on the borders who are trained to detect smuggled goods.

Staff is relatively young; the average age is about 30 years. The salary was very low, just above the minimum wage. However, the new salary law, in force as of 1 July 2001, has improved the situation. Bonuses, of up to 4 months salary, can be awarded if tax collection is above the target level (about 50 per cent of the State budget is collected by customs). Since 1998 the Guard has a new training strategy, which has raised the prestige of professional training. Staff now has to follow a 10-month preparatory training; and in-service training is provided in all substantive areas and also in foreign languages.

The Customs and Excise Agency has recently adopted a new anti-corruption strategy, which includes preventive actions and training for the staff.

The Customs Guard disposes of adequate modern equipment to carry out its investigation tasks; it includes an internationally linked computer network, a plotter, radiation gates, 3 mobile laboratories, etc.; much of the equipment was funded by PHARE.

The budget of the Customs Guard is about 120 Mio Euro (30 Bio. HUF). The State Audit Office has concluded, based on their findings, that the Customs Guard is underfunded.

2.2.5 *Working Methods*

The Investigation service of the Financial Guard has the right to:

- Work under cover and to tap telephones (with permission of a judge);
- Seize goods and the instruments of crime, e.g. trucks (co-operating with the prosecutor and the police);
- Questioning persons;
- Using “operational instruments” such as use of informants, monitoring of private correspondence.

2.3 Prosecution Services

2.3.1 *Legal Framework*

The legal base for the activities of the Prosecutor's Office are the Constitution Section 53 Subsection (3) and Act V of 1972 on the Prosecution Service of the Republic of Hungary. The role of the Prosecutor's office and the procedures this institutions has to follow are further defined by the Hungarian Penal Code and the Penal Procedure Code.

The penal code will be amended and articles introduced to punish fraud and misuse of funds to the detriment of the EU.

The Prosecutors Office shall inter alia:

- initiate and conduct criminal prosecution;
- exercise legality control of the activities of the criminal police and the three specialised investigation services;
- conduct criminal investigation;
- co-ordinate the activities of the investigation services.

The Prosecution Services have the exclusive competence of investigation, among others, for bribery committed by Members of Parliament and elected officials and for crimes committed by members of the professional staff of Customs and Finance guards and tax investigators being members of the staff of the CID.

The Prosecution Service comprises the Office of the General Prosecutor, the Appellate Prosecution Office, the County Attorney general's Office and the metropolitan Attorney general's Office, the local prosecutor's offices, the Military Attorney General's Office, the Appellate Military Attorney's Office, the regional military public prosecutor's offices. There are specialised sections for economic crime investigation at the Prosecution's offices.

2.3.2 *Relations with other Institutions*

Prosecution in Hungary is part of the judicial power, forms part of the court system and does not depend on the government. The Prosecutor General is elected by the parliament for 5 years on the proposal of the President and is accountable to it. He delivers a report to parliament every year. An initiative of the government to change the constitution and to place the prosecutor's office under the authority of the government has not been implemented.

The Prosecutor has the legal right to step in the investigation procedure at any time. The Prosecutors in charge of a case have the right to establish an investigation task force made of officials from the various investigating bodies to carry out investigations in the different areas of fraud and economic crime.

2.3.3 *Relations with OLAF*

No operational relations with OLAF are reported to date.

2.3.4 *Staff, Facilities, Equipment, Budget*

There is a specialised training centre for systematic and structured training of Prosecutors in the investigation of fraud and economic crime. Training is also organised in the framework of international co-operation activities.

Internal discipline is ensured within the Prosecution Services by subordination to the Prosecutor general. Public prosecutors can only receive instructions from the Prosecutor General or the superior public prosecutor.

The budget allocated to the Prosecutor's office is not regarded as sufficient to properly carry out all legal responsibilities.

2.3.5 Working Methods

As for all crimes, economic crimes are subject to investigation by one of the various investigating bodies (criminal police, CID, customs and boarder guard). These services establish the indictment and pass the case to the Prosecutor.

It is up to the Prosecutor to decide whether there are grounds to open a criminal case.

Investigations of economic crimes by Prosecutors are conducted in the same way as other crimes in accordance with the Penal Procedure Code.

2.4 State Audit Office

2.4.1 *Legal Framework*

The legal base for the activities of the State Audit Office is the Act XXXVIII of 1989 on the State Audit Office, the Act LXV of 1990 on Local Governments and the Act XXXVIII on the general Government System. The mandate of the SAO is wide and covers both state and local authorities (for further general information on the SAO, see the external audit assessment). Since 1999 EU money given to Hungary is integrated into the national budget, which automatically gives the right to the SAO to audit EU monies in the same way as national monies.

The SAO may audit all public bodies; with regard to private bodies its mandate is limited to auditing the use of public subsidies.

The SAO has been auditing the use of PHARE funds since 1992.

The Government Resolution 1023/2001 on Governmental Strategy against Corruption calls upon the SAO to review the situation with regard to the activities of organisations in the budget area. It is asked to examine whether legal or organisational modifications are necessary to conform with internationally accepted standards. The SAO also participates in a special commission to improve the internal audit system.

2.4.2 *Relations with other Institutions*

The SAO is maintaining a close relationship with the Prosecution Services, as well as with other investigation services, as the SAO has no mandate to carry out criminal investigations. If the SAO in the course of its audit work suspects criminal activities, it informs the competent authority to take up the respective investigation work (Art 25 of Act XXVIII of 1989).

2.4.3 *Relations with OLAF*

No operational relations with OLAF are reported to date.

2.4.4 *Staff, Facilities, Equipment, Budget*

The Audit Office has a budget in 2001 of 3 426.8 Mio. HUF. The budget provides for 500 staff, but effectively it has only 474 staff. Bearing in mind that the Audit Office has the mandate to audit not only the execution of the State budget but also the budgets of the local authorities, of which there are 3 400, staff is said to be not sufficient. The lack of sufficient capacity is aggravated by the fact that internal audit still needs to be improved.

The existing staff of the SAO consists of economists (80 per cent) and lawyers (10 per cent). The Law University is now offering a specific course on fighting corruption, which some of the staff is following.

The salaries of staff are considerably above the average civil service salaries, so the office has generally no real problem in recruiting qualified staff.

2.4.5 *Working Methods*

The SAO is not involved in criminal investigation. However, it has the right - during the period of examination - to freeze financial and liquid assets for the purpose of prevention of loss.

2.5 Government Control Office

2.5.1 *Legal Framework*

The Government Control Office was established in 1994. With the Government Decree no. 61/1999 on the role, the responsibility and the scope of authority of the Government Control Office the Government redefined the tasks of the Office. It is an administrative body reporting directly to the Government. The general tasks and activities of the Control Office are covered in the SIGMA assessment on Financial Control.

In view of OLAF concerns, the task list set out in decree no.61/1999 includes under Art. 2 (1) f):

- The utilisation of funds, including the financial support received on the basis of international agreements and the financial aids allocated to the economic organisations, to the public foundations, to foundations, to the development councils both at the county and at the regional level, to civil organisations - not including the political parties.

and under Art. 4 (2):

- On the basis of an international agreement the Office may participate in joint audits with the DGXX and with other DGs commissioned by the European Union when auditing EU funds and financial supports.

In addition, the Control Office has been given certain responsibilities with regard to fighting corruption.

The Government Control Office as an institution of internal audit has no mandate to enforce decisions or to carry out criminal investigations. In case of suspected criminal activities the control office may notify the respective investigation and prosecution services.

2.5.2 *Relations with other Institutions*

Pursuant to Government Decree 61 Art. 3 the Government Control Office has several co-ordination obligations. These include:

- co-ordinating the audit work plan with other central administrative controlling organisations;
- co-ordinating audit methodology and training with the SAO;
- co-operate with the Ministry of Agriculture and regional Development, with the Tax and Financial Control Authority and with the responsible organisations within the national Headquarters of the customs and Excise when Auditing the Agricultural subsidies; and
- co-operate with the organisations of the authorities and the bodies with an investigating jurisdiction if irregularities were found during the audit or control.

2.5.3 *Relations with OLAF*

The Government Control Office is in ongoing contact with OLAF. As its tasks include the maintaining of ongoing relations with DG XX it sees itself as a natural partner of OLAF -- a view, which is not necessarily shared by the Ministry of Finance.

2.5.4 *Staff, Facilities, Equipment, Budget*

The Government Control Office has 88 staff, of which 35 work in the Control department. It is intended to increase the staff of the GCO to about 120 by the end of 2001. The staff is well educated and the Office provides training to improve the skills, e.g. in performance audit. The basic salary of the staff is the same as in ministries. However, the GCO has the possibility to award up to 15 or even 18 monthly salaries per year to its staff.

As the GCO is not an investigation body, it does not dispose of the respective equipment.

2.5.5 *Working Methods*

The GCO is carrying out mainly legality-based audits and to some extent performance audit. It co-ordinates its audit plan with the ministries to avoid duplication. As the GCO has no mandate to investigate possible criminal offences, it submits its findings concerning possible irregularities to the respective investigation bodies:

- the criminal police;
- the special prosecutors investigation office (new police sub-division on organised crime);
- the CID;
- the customs control department.

2.6 Ministry of Justice

2.6.1 *Legal Framework*

The Ministry of Justice is reviewing the legal framework, in particular the criminal code and the criminal procedures law, to align them with the demands for an adequate prevention and prosecution of fraud.

An amendment to the criminal code has been drafted and will be adopted in autumn. This amendment contains the possibility to persecute not only classical fraud but as well misuse of funds after having received them on valid grounds, i.e. if the funds have been received without fraudulent behaviour and if no embezzlement has taken place as the funds were not used for personal enrichment.

There maybe another amendment later, allowing the funding institution to take part as an observer in the criminal investigation, but this is still in the stage of discussion.

Basically the legal framework to prevent, investigate and persecute fraud is in place. The funds can as well be recuperated.

2.6.2 *Relations with other Institutions*

None of the operational institutions are subordinated to the Ministry of Justice. The Prosecution Services are independent. They have their own chapter in the budget and report directly to parliament. However, when preparing legislation the Ministry of Justice is co-ordinating with the respective ministries and the operational services.

The Ministry of Justice is in charge of co-ordinating the implementation of the governmental strategy against corruption (Resolution 1023/2001) by the different ministries. In particular it has the tasks to follow-up on the accomplishment of the tasks, the observation of the deadlines, and to initiate the submission of amendments at the ministries concerned.

2.6.3 *Relations with OLAF*

Co-operation with OLAF is established, and the criminal code is being amended in view of OLAF. The Ministry also co-operates with GRECO.

The amendment to the law, though in view of European funds, will sanction all misuse of funds, received without fraudulent activities. This includes funds/subsidies received from the EU, from other international or foreign donors and from the national budget.

2.7 Ministry of Finance

2.7.1 *Legal Framework*

The Ministry of Finance is now the focal point for financial control and internal audit (see the respective SIGMA assessments). It is the supervising authority for the CID and the Customs and Finance Guard.

The Ministry of Finance will submit a proposal for the OLAF focal point to the government in September. It is not intended to propose to create a new institution but to allocate this task to an existing institution. It is reviewing the legal framework of existing investigation bodies to ensure that anti-fraud activities can be carried out in a way meeting OLAF standards. For the time being none of the institutions has a clear mandate to carry out anti-fraud activities as understood by OLAF; responsibilities in this area are partly overlapping.

Some further legal changes may be needed to ensure efficient supervision of the investigating bodies and adequate co-ordination during the investigation as well as full information on the results.

The Ministry of Finance has asked the subordinated institutions to develop an institution specific anti corruption programme by 13 June, based on the Government anti corruption strategy, adopted 14 March 2001. The programmes have been submitted to the Ministry of Finance and their implementation will be monitored by the Ministry.

The programmes offer not only data on detected and prosecuted corruption and a concrete action plan but also a list of laws and regulations, which may need to be changed to ensure a successful implementation of the programme.

2.7.2 *Relations with other Institutions*

The Ministry of Finance supervises its two investigation services and co-operates with the other players in internal audit and financial control. In order to implement the new anti-corruption strategy of the government, the ministry has asked its subordinated bodies to draft - on the basis of the government strategy - a service specific anti-corruption strategy, including also recommendations to improve prevention of corruption. It is envisaged to create a contact group, consisting of the main national stakeholders and OLAF to ensure that OLAF concerns are properly dealt with.

2.7.3 *Relations with OLAF*

Co-operation with OLAF is established; the Ministry of Finance fully supports its work.

2.7.4 *Staff, Facilities, Equipment, Budget*

Additional staff may be needed as well as additional specific training to fully assume the monitoring and supervising responsibility. The general increase in salaries, as of 1 July 2001, may help in finding the necessary number of qualified staff.

3 LIST OF ANTI-FRAUD DOCUMENTATION COLLECTED JUNE 2001

1.	Government Resolution 1023/2001 on governmental strategy against corruption, <i>The Government of the Republic of Hungary, 14th March (2 copies)</i>
2.	Government Resolution 1023/2001(III.14.) on governmental strategy against corruption
3.	Answers to the OLAF Questionnaire
4.	Overview relevant legal provisions, organisational and operational regulations, <i>Criminal Investigation Directorate of the Hungarian Tax and Financial Control Administration</i>
5.	Brief History of the Ministry of Finance, <i>MoF</i>
6.	Act V of 1972 On the Prosecution Service of the Republic of Hungary, Chapter One General Provisions, Duties of the Prosecution Service
7.	Booklet on the SAO including excerpts from the key laws pertaining to the SAO
8.	Booklet on Operation Strategy of the SAO
9.	The Responsibility of the State Audit Office in the Development of Internal Control with a view to limiting opportunities for corruption, <i>2001</i>
10.	Corruption and the possibilities of fighting corruption — responsibilities and possibilities of the SAO, <i>September 2000</i>
11.	Training Plan of the State Audit Office for 2001, <i>Dr. Janos Levais, Director</i>
12.	Multidisciplinary Group on Corruption (GMC) <i>26 May 2000 Council of Europe</i>
13.	Draft Government Decree Nr 61/1999. (IV.21.) on the role, the responsibility and the scope of authority of the Government Control Office
14.	Booklet on the Government Control Office in Hungary, <i>2000</i>
15.	Government Decree Nr. 15/1999 (II.5.) on Governmental, Supervisory and Internal Budget Control of Central, Social Security and Public Corporation Budgetary Organs
16.	Act IV of 1978 Criminal Code, 31.12.00
17.	Magazine on Customs, <i>October 2000</i>
18.	Leaflet on Customs information
19.	Anti-Drug Strategy of the Hungarian Customs and Finance Guard
20.	Anti Corruption Strategy of Customs and Finance Guard based on the Government's anti-corruption strategy