

**Subject: Input of the Integrity Authority to the information letter to be sent to the European Commission by June 16, 2024, on the fulfilment of commitments made under the conditionality procedure**

Pursuant to the measures proposed in Regulation 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget, the Hungarian Parliament enacted Act XXVII of 2022 on the control of the use of European Union budget funds (further: 'Eufetv.').

The above referred Eufetv. established the Hungarian Integrity Authority (further: 'the Authority') to prevent and detect fraud and corruption in public procurements that are in part or in whole financed by European Union budget funds. The Authority is an autonomous and independent state administration body, subject only to the applicable laws.

## **1. Cooperation agreements**

### *Cooperation agreements with Hungarian state bodies and institutes*

Based on the insights gained during the initial year of operation, the Authority has discovered that its founding act (Eufetv) limits access solely to data relating to ongoing investigations. However, even in such cases access to confidential data such as banking, tax and insurance records are not permitted. Similarly, concerning the oversight of declarations of interests, conflicts of interests and asset declarations, the Eufetv. does not outline any specific right of access to information or data.

In 2023, the Authority entered into negotiations for cooperation agreements<sup>1</sup> with other governmental bodies to facilitate access to relevant databases. However, it became apparent that these agreements could only define the modalities of data transfer without

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<sup>1</sup> The current status of domestic cooperation agreements is as follows. The Authority has already signed cooperation agreements with the **National University of Public Service** and the **Directorate of Internal Audit and Integrity** (September 2023), followed by agreements with the **National Tax and Customs Administration**, the **Hungarian Competition Authority**, the **Hungarian State Treasury** (January 2024), the **National Authority for Data Protection and Freedom of Information** (February 2024), the **State Audit Office** of Hungary (April 2024) and the **National Office for the Judiciary**. The draft cooperation agreement with the **Directorate General for Public Procurement and Supply** (KEF) is finalised and ready to be signed. The Authority has repeatedly reached out to further state organisations (**Office of the Prosecutor General** of Hungary, **National Police Headquarters**, **Public Procurement Authority** of Hungary), however the process is put on hold by the counterparties without indication as to when they may be resumed.

actual data exchange, limiting the Authority's information access and the cooperating authorities' obligation to share information.

Despite the existence of these agreements, the actual content and rights conferred to the Authority suggest they are more declarations of intent rather than agreements, as they do not grant the IA the right to obtain or exchange information. Furthermore, there are legislative deficiencies regarding the IA's powers that are not and cannot be addressed by cooperation agreements. Unless expressly harmonized in the legislation applicable to the cooperating entities, the Authority will not be able to effectively fulfil its tasks.

Therefore, the next phase involves making amendments to the Authority's powers of information access within the corresponding regulations and the Eufetv. itself. This would enable the establishment of meaningful cooperation agreements to access all relevant data.

The Authority has repeatedly indicated in writing the specific extensions of powers and database access<sup>2</sup> requirements necessary for the proper execution of its statutory duties. This information has been shared with the Ministry of Justice, the Ministry of European Union Affairs, and the European Commission as well.

Furthermore, the Authority has conducted a comprehensive examination of the powers vested in anti-corruption authorities across the European Union, scrutinizing the associated sanctions and disparities between the Hungarian legislation and that of other member states. The international comparative analysis revealed the inadequacy of the Authority's powers in comparison to counterparts in neighbouring countries. These authorities possess broader powers, and their regulations prioritize preventive actions and sanctions<sup>3</sup>.

### Cooperation with international organizations and institutions

Based on Section 8 (2) of the Eufetv., the Authority may enter into cooperation agreements with organizations from other EU member states. To this end, the Authority has initiated

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<sup>2</sup> For the Authority to undertake its mandate electronic, direct access (i.e. machine-to-machine/interface) is required to databases. Currently, these databases are the Development Policy Database and Information System (FAIR), the Digital Renewal Operational Programme (DIMOP) database, Integrated Administration Control System (IIR), including the Rural Development Programme (VP) database and the Hungarian State Treasury – as participating authority, Recovery and Resilience Facility (RRF) database, Register of Personal Data and Addresses, the Electronic Civil Registry, business register data and the Insolvency Register databases, Criminal records database, Operational analysis of the financial intelligence unit Act of LVIII of 2017 on the Prevention and Combatting of Money Laundering and Terrorist Financing, Electronic Public Procurement System (EKR), Land Registry, Vehicle Registers, Private Entrepreneur Register, Beneficial Owner Register, Central database of asset declarations (It is necessary to create this database).

<sup>3</sup> For more details regarding the comparative analysis, please see page 10 of the Authority's Annual Report to the National Assembly of 2023: <https://integritashatosag.hu/wp-content/uploads/2024/03/Integritas-Hatosag-Eves-beszamolo-2023-final.pdf>

contact with several organizations. The current status of cooperation activities is summarized below:

- **OLAF (European Anti-Fraud Office):** Upon its establishment, the Authority reached out to OLAF and the OLAF Coordination Office operating within the National Tax and Customs Administration. Regular consultations lead to an agreement on the framework for cooperation with OLAF, formalized through an exchange of letters in December 2023.

- **EPAC/EACN (European Partners Against Corruption / European contact-point network against corruption)**

The EACN serves as a platform and forum for anti-corruption agencies of EU Member States and OLAF, while its sister organisation EPAC unites over 90 anti-corruption authorities and law enforcement agencies from the Council of Europe Member States. The Authority participated at the 22nd EPAC/EACN Annual Professional Conference and General Assembly held in Dublin on November 2-3, 2023. Following its presentation to the General Assembly, the Authority was granted membership in EPAC.

- **OECD (Organization for Economic Co-operation and Development)**

The Authority maintains regular communication with OECD representatives to ensure that the details of support from the OECD are accurately recorded in an agreement concerning the reports to be prepared by the Authority (e.g. MAPS methodology).

- **OECD Tech & Analytics Community of Practice:** based on a proposal by the Authority, the OECD organised an online workshop in July 2023 on establishing the infrastructure for data-driven operations.

- **OECD SPIO (Working Party of Senior Public Integrity Officials)**

In March 2024, representatives of the Authority participated for the third time as country delegates of Hungary at the bi-annual meeting of SPIO. At the November 2023 meeting, President Biró delivered a presentation on the integrity of pre- and post-public employment of public officials in Hungary, along with associated best practices.

- **Globe Network (UNODC Global Operational Network of Anti-Corruption Law Enforcement Authorities):**

The Globe Network includes the anti-corruption authorities of all United Nations Member States. The Authority applied for membership in October 2023 through the Permanent Mission of Hungary to the United Nations. Subsequently, to the approval of the Steering Committee, the Authority officially became a member of the Globe Network in January 2024.

- **ENPE (European Network for Public Ethics):** ENPE brings together public sector integrity authorities of EU Member States. The network's mission is to uphold the rule of law, fight corruption and promote good governance, with its objective focused on combating corruption, protecting public integrity and extending the rule of law. The Authority's application was accepted and it became member of the network in February 2024.

- **Cooperation with other EU anti-corruption authorities**

The Authority contacted anti-corruption authorities from several EU member states to share international best practices for the preparation of the Authority's report on asset declarations. Among others, the Authority contacted the French Haute Autorité pour la transparence de la vie publique (HATVP), the Lithuanian Vyriausiosios etikos komisija (VTEK/COEC), the Romanian Agentia Nationala de Integritate (ANI) and the Slovenian Komisija za preprečevanje korupcije (KPK).

- **COSP10 (Conference of the States Parties to the United Nations Convention against Corruption, 10th session)**

Representatives of the Authority participated as country delegates at the COSP10 conference which took place between 11-15 December 2023 in Atlanta, USA.

- **ANAC (Autorità Nazionale Anticorruzione, National Anti-Corruption Authority in Italy)**

On 28 September 2023, an online introductory meeting was held between ANAC's and the Authority's President and representatives. As a result, the Authority plans to sign a cooperation agreement with ANAC in early 2024.

- The Authority also consulted with the representatives of the **OECD**, the **Latvian Corruption Prevention and Combating Bureau (Korupcijas novēršanas un apkarošanas birojs, KNAB)** and the **Special Investigation Service of the Republic of Lithuania (Specialiųjų tyrimų tarnyba, STT)** on the European Anti-Fraud Programme (EUF), the Technical Support Instrument (TSI) and other support programmes.

- **Policy Forum: Summit for Democracy:** On 21 March 2023, in Sofia, the Authority was represented by Dr. Kálmán Dabóczy, Deputy Chairman of the Authority, who served as a speaker in the panel discussion on "Asset declarations, politically exposed companies and persons".

- **Policy Forum – Anti-Corruption, Democratic Resilience and Economic Security**

The policy forum organised by the Center for the Study of Democracy was held in Sofia on 9 November 2023. On behalf of the Authority, President Biró participated as a speaker in the panel discussion titled "Strengthening Public-Private Partnerships against Corruption".

- **International Law Enforcement Academy (ILEA) Program**

The staff of the Authority participate in an international education programme that mainly seeks to popularise international best practices in combating corruption. The education programme is organised by the **International Law Enforcement Academy (ILEA)** in Budapest, where **FBI** experts share their knowledge with delegated experts from the anti-corruption authorities of invited countries. Moreover, the staff of the Authority also participate at the ILEA Executive Policy and Development Symposium organised by the FBI at the ILEA's education centre in the United States. Representatives of the Authority participated in the Anti-Corruption and Model Law - Executive Policy and Development Symposium held in Roswell (NM), USA from 12 March to 3 April 2024. Additionally, representatives of the Authority also attended and attend the Anti-corruption Series courses organised by ILEA Budapest during 2024.

- EU Network against Corruption

The Authority delegated an expert to the Workshop on Asset Declaration organised by the EU Network against Corruption on 25 June 2024 in Brussels, Belgium.

- The Authority is participating in The International Anti-Corruption Conference (**IACC**) that will take place from 18 to 21 June 2024 in **Vilnius**, Lithuania. At the IACC, the Authority will hold meetings with the **delegation of Papua New Guinea** and **C4ADS**.

## **2. Register of economic operators excluded from public procurement procedures**

In the second quarter of 2024, the Authority continued the consultations with the relevant ministries and partner organisations to establish a register of economic operators excluded from public procurement procedures.

The government is preparing an amendment to the Fundamental Law on digital citizenship (which could provide an opportunity to establish the register), but at least 2 years are needed to incorporate the digital personal ID into sectoral legislation and related IT systems. To circumvent this lengthy process, the Ministry of Interior proposes that the Authority initiates a legislative amendment allowing the creation of the register of economic operators excluded from public procurement procedures using data from the Register of Personal Data and Addresses and the Register of Aliens.

In addition to the legislative amendments, an interface is under development to provide the Authority with data from the Central Government Service BUSZ (KKSzB), governmental electronic administration service.

In more detail, Since March, the following specific actions were taken for the registration of economic operators excluded from public procurement.

As the establishment of a direct data link with the registration systems of other public bodies is essential for the establishment of the register of economic operators excluded from public procurement procedures, the Integrity Authority – as described below – started to establish a direct data link in the second quarter of 2024.

- The connection to business register data is already operational in a test environment, the development of live queries by the Integrity Authority is complete, and access to the live environment of the register has been requested by the Integrity Authority,
- For the data stored in the Beneficial Owner Register, the Authority's individual queries are operational in the live environment and the necessary permission has been obtained for bulk queries.
- Improvements are required to the Private Entrepreneur Register to establish a direct data link, which have been initiated by the National Tax and Customs Administration responsible for the register of private entrepreneurs. The Integrity Authority is not aware of any deadline for the implementation of these improvements.
- The interface development of the Criminal records database by the Ministry of Interior responsible for the records is expected to be completed by 30 September 2024. Access to this register is essential for the establishment of a complete register of economic operators excluded from public procurement procedures, as without this data the involvement of individuals cannot be established.
- The Integrity Authority has received the authorisation to access the test system of the Register of Personal Data and Address on 30 May 2024, and the Integrity Authority will also start the development work to establish a direct data interface to this register.

The direct data connection to the registers are implemented by the Integrity Authority via the above-mentioned so-called Central Government Service BUSZ (hereinafter: KKSzB) as a governmental electronic administration service. Specific data are published by the Integrity Authority in the electronic public procurement system (EKR) operated by the Ministry of Public Administration and Rural Development, and consequently improvements are also required in the EKR. The Integrity Authority has submitted a request to the Ministry to make the necessary improvements by 15 September 2024.

In the coming period, the Integrity Authority will undertake its assigned development tasks. It will start developing and finalizing queries for live systems where feasible and available. Once partner-side developments are completed, the Integrity Authority will also itself commence the necessary development activities.

### **3. Oversight of asset declarations**

As detailed on pages 35–36 of the Authority’s special report on the asset declarations system<sup>4</sup>, the Authority undertakes various tasks to verify asset declarations, e.g. automatic scrutiny of asset declarations for the Director General and Deputy Director General of the Directorate General for Auditing European Funds, as well as the ad hoc verification of Parliament members’ asset declarations in cases it is deemed necessary or warranted.

Currently, the Authority’s methodology for verifying the veracity of asset declarations is in development and cannot be finalised until direct, automatic access to the databases outlined in the Authority’s above mentioned special report is granted, enabling the Authority to execute substantive tasks concerning asset declarations. The Authority has initiated consultations with various ministries to secure access to relevant databases and obtain all necessary data to carry out its tasks through direct data connections. There is no meaningful progress however in this matter.

For further details on asset declarations, please refer to our dedicated report on the asset declarations system, which includes pertinent recommendations: [integrity-authority-case-report-on-asset-declarations-ENG-2023.pdf](#).

While the National Anti-Corruption Strategy for 2024–2025 proposes some amendments to asset declarations, such as making them electronic and attaching sanctions for non-compliance, these amendments do not impact the Authority’s ability to effectively control the asset declaration system under the current legal framework.

### **4. Headcount and resources**

Over the past year, the Authority has experienced steady growth, with ongoing recruitment efforts supporting the workforce’s expansion.

As of 14 June 2024, the headcount of the Authority reached 101 employees. The breakdown of the workforce is as follows: 27 in the investigation office, 21 in the president’s office including HR, 14 in the finance office, 11 in IT office, 11 in the legal office, 7 in the registration office, 3 in the security office, 3 in the quality management office, 1 in internal audit, 3 of the presidents and vice-presidents.

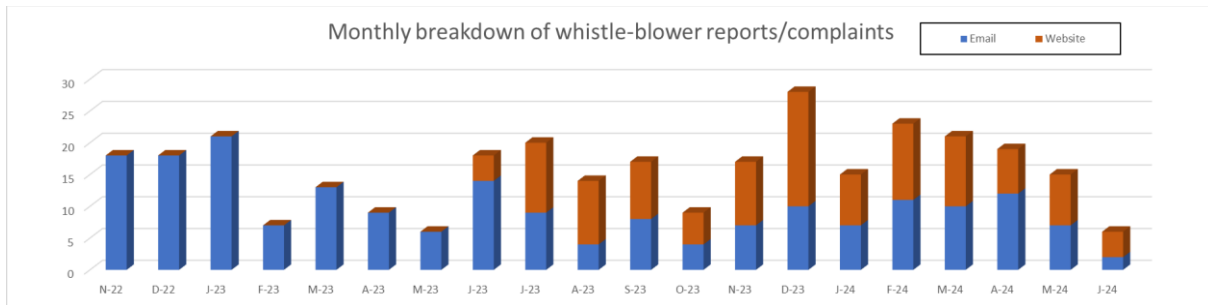
### **5. Whistle-blower report and investigations**

The Integrity Authority’s whistle-blower platform ensures anonymous and confidential communication.

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<sup>4</sup> [integrity-authority-case-report-on-asset-declarations-ENG-2023.pdf \(integritashatosag.hu\)](#)

By 29 February 2024, the Authority received 314 whistle-blower reports (197 via email and 117 through its online whistle-blower platform). Additionally, the Authority received 30 notifications which were identified as spam.



Out of the 314 whistle-blower reports received, 170 reports (54% of the total) contained relevant and substantive information falling within the Authority’s scope. Among these 170 reports, 16 cases have been investigated, resolved, and disclosed to the public<sup>5</sup>, 32 cases are under investigation, 8 await the Authority Board’s decision on whether to initiate formal inquiries, 29 cases are currently in the phase of data collection and preliminary assessment and 91 deemed unsubstantiated following thorough examination.<sup>6</sup>

The above mentioned 79 reports containing relevant and substantive information cover the following funding programs:

Related EU funding program	Number of meaningful reports
14-20 TOP	21
14-20 VP	12
General	11
14-20 EFOP	7
RRF	7
14-20 GINOP	5
21-27 TOP+	5
14-20 KEHOP	3
14-20 TÁMOP	3
14-20 VEKOP	2

<sup>5</sup> For further details please refer to: [Closed investigations - Integritás Hatóság \(integritashatosag.hu\)](https://integritashatosag.hu)

<sup>6</sup> There are 10 cases where 2 or more complaints with the same content were received, so the Authority merged the complaints into one case/investigation.

07-13 EKOP	1
14-20 MAHOP	1
RSZTOP	1
14-20 TOP	21
14-20 VP	12
<b>Total</b>	<b>79</b>

Besides the whistleblower reports received, the Authority initiated investigations in 8 cases based on its own risk assessment using publicly available data. Furthermore, 3 cases are awaiting the Authority Board's decision on whether to initiate formal inquiries, while preparations for potential investigations have started in 8 cases.

Additionally, the Authority referred 7 cases to the prosecution services in 2023-2024. OLAF and the European Public Prosecutor's Office were simultaneously notified about these cases. Furthermore, during 2023-2024, the Authority:

- initiated proceedings in 2 cases and submitted 2 administrative appeals against a decision of the Public Procurement Arbitration Committee,
- 1 proceeding for failure to act
- submitted motions for revision in 10 cases and a motion for repeated revision in 1 case,
- notified the Hungarian Competition Authority in 3 cases, leading to the opening of competition procedures based on the Authority's indication.

## **6. Risk assessment methodology**

Preventing the inappropriate use of EU funds lies at the core of the Authority's work. Consequently, the Authority is actively developing its own risk assessment methodology, to establish a comprehensive risk universe. Additionally, it is in the process of developing its own review and investigation methodology and platform.

Currently, the Authority conducts data analysis for risk assessment manually, using traditional data analysis methods (i.e in MS Excel), and its risk assessment activities rely on manual information collection or whistle-blower reports on wrongdoings. However, these traditional methods are neither efficient nor adequate for risk management, especially given the scale and volume of data related to projects receiving, in part or in whole, funding from the European Union.

The Authority has identified the need for designing an integrated artificial intelligence-supported, data-driven framework and enhancing its analytics capacity as a key area for adopting and implementing international best practices tailored to its context and

purposes. This would enable the Integrity Authority to effectively and efficiently fulfil its mandate to prevent and detect individual and systemic irregularities related to fraud, corruption, and conflict of interest in the use of EU funds, and to step up the fight against fraud and corruption with the adequate skills and capacity.

Therefore, the Authority submitted its application for technical support under the Technical Support Instrument (TSI) programme under Regulation (EU) 2021/240 (TSI Regulation), however the Authority's application was not successful in the first round and is currently on the reserve list. The Authority is considering submitting its application again after participating on a TSI informative day in June 2024 organized in the Ministry of Finance with the DG Reform's presence.

## **7. Reports published by the Authority**

The Board of the Authority reports annually to the Hungarian Parliament **on its activities** and send this report to the European Commission as well. The first report<sup>7</sup> was published on 14 March 2014.

The Authority annually prepares an **Integrity Risk Assessment Report**<sup>8</sup>. The first such report was published on 31 March 2023. The risk assessment was carried out in consultation with the Organisation for Economic Cooperation and Development (OECD) and relied on indicators from the IV Pillar of the Methodology to Assess Procurement Systems (MAPS). The updated Integrity Risk Assessment Report will be published in the next weeks but not later than 30 June 2024.

The Authority also publishes an **Annual Analytical Integrity Report**<sup>9</sup>. The first report was published in June 2023 and the second report will be published in the next weeks together with the above mentioned updated Integrity Risk Assessment Report. The report will contain number of recommendations aimed at introducing and strengthening best practices in the area of public procurement, the control system of EU funds, the Hungarian asset declaration and conflict of interest system.

In addition to its regular reports, the Authority also publishes ad-hoc, special reports. The Authority's first **ad-hoc report on the Hungarian asset declaration system**<sup>10</sup> was released on 7 December 2023. Recommendations to enhance the Hungarian asset declaration system were based on international best practices, as well as consultations and interviews

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<sup>7</sup> <https://integritashatosag.hu/wp-content/uploads/2024/03/integrity-authority-annual-report-2023.pdf>

<sup>8</sup> <https://integritashatosag.hu/wp-content/uploads/2024/04/integrity-authority-integrity-risk-assessment-report-310323.pdf>

<sup>9</sup> <https://integritashatosag.hu/wp-content/uploads/2023/10/Annual-Analytical-Integrity-Report-2022-ENG.pdf>

<sup>10</sup> <https://integritashatosag.hu/wp-content/uploads/2024/03/integrity-authority-case-report-on-asset-declarations-ENG-2023.pdf>

with other relevant authorities (HATVP of France, ANI of Romania, KPK of Slovenia, VTEK of Lithuania).

## **8. Support of the Directorate General for Audit of European Funds**

In accordance with Section 71 of Eufetv., the Directorate General for Audit of European Funds (further: "EUTAF") provided support for the provision of secretarial and administrative services related to the establishment of the Authority. EUTAF performed the economic organisational tasks of the Authority in accordance with the regulations governing the management, accounting, data provision and operation of public bodies. These services were provided for a period of 6 months. The support provided by EUTAF carried out with due care on a daily basis has effectively concluded. The Authority has transitioned to managing its own activities independently and has become self-sufficient.

The transition to centralised IT supply provided by NISZ and the settlement of the service elements received from EUTAF are completed. The final settlement agreement with the Directorate General for Audit of European Funds was signed on 25 March 2024, and the reimbursement of the costs has been made in accordance with the legal requirements (transfer of funds).

Additionally, a partial separation from the centralised IT services provided by NISZ also happened as of 26–28 April 2024. The separation was implemented to ensure the independence of the Authority from central services, which is needed as a consequence of its autonomous status, to ensure autonomous IT operations, to allow the Authority to choose the design of its processes and technologies used and, last but not least, for cost efficiency reasons. The service elements affected by the separation are:

- Disconnection from the Government Network
- Taking over the network and Wifi
- File server and Sharepoint moved to and hosted on own infrastructure
- Migration and hosting of mail
- Purchase, installation and day-to-day operation of own workstations with own licences.

Some of these services will continue to be provided by the NISZ for reasons of public procurement procedures still under way or in preparation, or for economic reasons, for certain services such as mobile telephony, document management and business systems, office technology. Following the partial divestiture of these services, the return of the assets provided by NISZ and the administrative regularisation of the contractual and legal environment are currently under way.

## **9. Anti-corruption Task Force**

The Task Force published its 2023 Annual Report<sup>11</sup> on 14 March 2024. In addition, some members representing non-governmental actors have also prepared a separate supplementary report<sup>12</sup> to this 2023 Annual Report (not a shadow report described by Eufetv. as it was not supported by all members representing non-governmental actors). The Government had 3 months to respond to the Annual Report's recommendations and the Government's response was received on 17 June 2024.

The upcoming meeting of the Task Force is scheduled for 2 July 2024 at which the Task Force is expected to decide inter alia, on the revised operation of the Task Force (e.g. new sub-working groups, new topics to be covered in the annual report). The Government's response to the 2023 Annual Report of the Task Force is also on the agenda for the upcoming meeting of 2 July 2024.

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<sup>11</sup> <https://kemcs.hu/wp-content/uploads/2024/03/KEMCS-2023-rol-szolo-eves-jelentes.pdf>

<sup>12</sup> [https://kemcs.hu/wp-content/uploads/2024/03/Kulonjelentes\\_a\\_KEMCS\\_2023-as\\_Jelenteséhez\\_final.pdf](https://kemcs.hu/wp-content/uploads/2024/03/Kulonjelentes_a_KEMCS_2023-as_Jelenteséhez_final.pdf)