

**Subject: Input of the Integrity Authority to the information letter to be sent to the European Commission by March 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 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 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 for data transfer unless expressly authorised by the legislation applicable to the cooperating entities.

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<sup>1</sup> 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), and the National Authority for Data Protection and Freedom of Information (February 2024). The draft cooperation agreement with the State Audit Office of Hungary is finalized and is scheduled for signing in March 2024. The draft cooperation agreements with the Directorate General for Public Procurement and Supply (KEF) and the National Office for the Judiciary are under negotiations. 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 contract negotiations with them are currently on hold.

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.

#### 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 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

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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

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 November 2023, representatives of the Authority participated for the second time as country delegates of Hungary at the bi-annual meeting of SPIO. On behalf of the Authority, 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

tarnybinės 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.

- **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".

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

In the first months 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.

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

As detailed on pages 38–39 of the Authority’s special report on the asset declarations system<sup>3</sup>, the Authority undertakes various tasks to verify asset declarations based on the declarant (e.g. automatic scrutiny for the EUTAF leaders’ asset declarations, ad hoc verification of Parliament members’ asset declarations in case of suspicion).

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 its 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.

Regrettably, no progress has been made in this area to date (i.e. no cooperation with the entities possessing asset declarations and no government follow-up on our recommendations in the special report).

### **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 29 February 2024, the headcount of the Authority reached 90 employees, with an additional 4 offers accepted (joining in March). The breakdown of the workforce is as follows: 27 in the investigation office, 17 in the president’s office including HR, 13 in the finance office, 10 in IT office, 10 in the legal office, 4 in the registration office, 3 in the security office, 2 in the quality management office, 1 in internal audit, 3 of the presidents and vice-presidents.

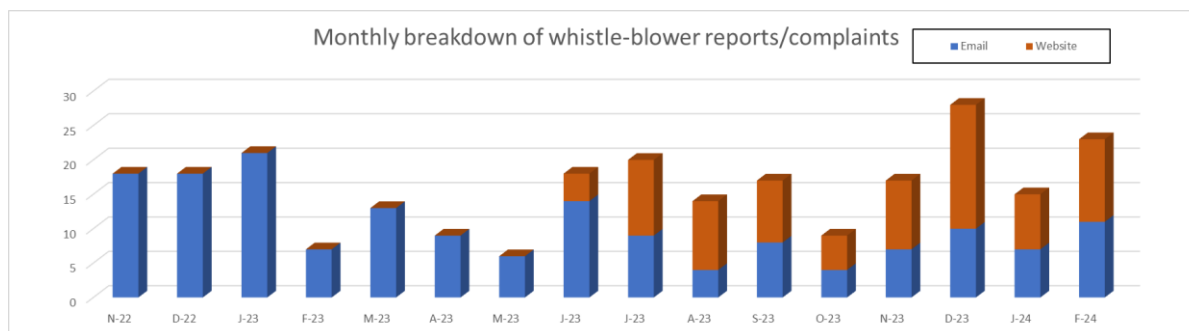
### **5. Whistle-blower report and investigations**

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

By 29 February 2024, the Authority received 253 whistle-blower reports (166 via email and 87 through its online whistle-blower platform). Additionally, the Authority received 14 notifications which were identified as spam.

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<sup>3</sup> [https://integritashatosag.hu/wp-content/uploads/2023/12/Integritas\\_Hatosag\\_Vagyonyilatkozatok\\_Eseti\\_Jelentes\\_2023-1.pdf](https://integritashatosag.hu/wp-content/uploads/2023/12/Integritas_Hatosag_Vagyonyilatkozatok_Eseti_Jelentes_2023-1.pdf)



Out of the 253 whistle-blower reports received, 144 reports (57% of the total) contained relevant and substantive information falling within the Authority's scope. Among these 144 reports, 10 cases have been investigated, resolved, and disclosed to the public<sup>4</sup>, 15 cases are under investigation, 4 await the Authority Board's decision on whether to initiate formal inquiries, 40 cases are currently in the phase of data collection and preliminary assessment and 66 deemed unsubstantiated following thorough examination.<sup>5</sup>

The above mentioned 78 reports containing relevant and substantive information cover the following funding programs:

Related EU funding program	Number of meaningful reports
14-20 TOP	20
14-20 VP	12
RRF	6
14-20 EFOP	5
14-20 KEHOP	3
14-20 GINOP	3
14-20 TÁMOP	3
21-27 TOP+	3
14-20 VEKOP	2
07-13 GOP	1
07-13 TIOP	1
RSZTOP	1
07-13 EKOP	1
21-27 DIMOP+	1
General <sup>6</sup>	16
<b>Total</b>	<b>78</b>

<sup>4</sup> For further details please refer to: <https://integritashatosag.hu/ugyek/vizsgalatok/>

<sup>5</sup> There are 9 cases where 2 or more complaints with the same content were received, so the Authority merged the complaints into one case/investigation.

<sup>6</sup> Not a complaint concerning a specific EU funding program: the subject of the complaint refers to a general misuse of EU funds.

Besides the whistleblower reports received, the Authority initiated investigations in 6 cases based on its own risk assessment using publicly available data. Furthermore, 4 cases are awaiting the Authority Board's decision on whether to initiate formal inquiries, while preparations for potential investigations have started in 5 cases.

Additionally, the Authority referred two cases to the prosecution services in 2023, one following a whistle-blower report and the other identified through its own risk assessment. OLAF and the European Public Prosecutor's Office were simultaneously notified about both cases. Furthermore, during 2023, the Authority:

- initiated proceedings in two cases and submitted one administrative appeal against a decision of the Public Procurement Arbitration Committee,
- submitted motions for revision in six cases and a motion for repeated revision in one case,
- notified the Hungarian Competition Authority in one case, leading to the opening of a competition procedure based on the IA's indication,
- requested the designated managing authority to initiate an irregularity procedure in two cases.

## **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.

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

The Authority annually prepares an **Integrity Risk Assessment Report**<sup>7</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 annual update of the Integrity Risk Assessment report is due on 31 March 2024. The Authority has started preparations (e.g. organising interviews, conducting surveys) for the update.

The Authority also publishes an **Annual Analytical Integrity Report**<sup>8</sup>. The inaugural report was published in June 2023 and contained approx. 50 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. The Government provided a detailed response<sup>9</sup> to the recommendations listed in the Integrity Report on 29 September 2023. Subsequently, the Authority published its position<sup>10</sup> on the Government's response on 14 December 2023.

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>11</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 with other relevant authorities (HATVP of France, ANI of Romania, KPK of Slovenia, VTEK of Lithuania). Based on these international examples and its own analysis, the Authority put forward 16 recommendations, including the establishment of a single electronic declaration system, a high degree of automated controls and a minimum frequency of checks.

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<sup>7</sup> [https://integritashatosag.hu/wp-content/uploads/2023/04/Integritas\\_Hatosag\\_Integritaskockazat\\_ertekeles\\_2023\\_marcius.pdf](https://integritashatosag.hu/wp-content/uploads/2023/04/Integritas_Hatosag_Integritaskockazat_ertekeles_2023_marcius.pdf)

<sup>8</sup> [https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas\\_Hatosag\\_Eves\\_Elemzo\\_Integritasjelentes\\_20220629.pdf](https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas_Hatosag_Eves_Elemzo_Integritasjelentes_20220629.pdf)

<sup>9</sup> <https://integritashatosag.hu/wp-content/uploads/2023/10/int-hat-2022jelentes-korm-valasz.pdf>

<sup>10</sup> [https://integritashatosag.hu/wp-content/uploads/2023/12/Integritas\\_Hatosag\\_osszegzes\\_Kormanyvalaszokra\\_20231206.pdf](https://integritashatosag.hu/wp-content/uploads/2023/12/Integritas_Hatosag_osszegzes_Kormanyvalaszokra_20231206.pdf)

<sup>11</sup> [https://integritashatosag.hu/wp-content/uploads/2023/12/Integritas\\_Hatosag\\_Vagyonnyilatkozatok\\_Eseti\\_Jelentes\\_2023-1.pdf](https://integritashatosag.hu/wp-content/uploads/2023/12/Integritas_Hatosag_Vagyonnyilatkozatok_Eseti_Jelentes_2023-1.pdf)

## **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. 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 occurring simultaneously. However, these processes are taking longer than anticipated and are still ongoing due to reasons beyond the Authority's control. Settlement between the Authority and EUTAF is expected to be finalised in 2024.

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

The Task Force has been holding meetings almost every month, and the Minutes of these meetings are made publicly available on the Task Force's website. The last meeting took place on 20 February 2024, and the upcoming session is scheduled for 12 March 2024 at which the Task Force is expected to decide, among others, on the adoption of the annual report, which is due on 15 March 2024.

The experience gained during the Task Force's inaugural year reveals that its current activities are limited to the preparation of its annual report (due on 15 March). There were also some changes in the composition of non-governmental members, and their limited number has contributed to slower Task Force operations. However, as from March 2024 the Task Force consists of 10 non-governmental members again which hopefully accelerate its operations in 2024.

## **10. Public Relations and Communication**

### *National awareness campaign*

To promote the (i) the Authority's whistleblowing platform and (ii) cultivate a culture of zero tolerance for corruption in the business sector, the Authority conducted a 20-day-long national awareness campaign through major online media platforms at both national and regional levels, starting on 20 November 2023.

### Social media platforms

The Authority launched its Facebook page<sup>12</sup> in Hungarian in November 2023, marking its second social media platform after LinkedIn<sup>13</sup>. The content is complemented by demo videos showcasing the use of the whistleblowing platform and its security features.

### Website with extended content

By the beginning of December 2023, the Authority launched an improved version of its website, featuring a news and a blog section, as well as a new, more accessible structure for the summaries of opened and closed investigations, motions for reconsideration and complaints. The English version of the website was introduced at the end of October.<sup>14</sup>

### Digital Anti-Corruption Conference

On 7 December 2023, the Authority organised an international conference in Budapest titled “Digital Anti-Corruption – Practical applications of Artificial Intelligence”. The event aimed to facilitate the exchange of ideas and experiences among business, academia, civil society and the public sector, covering topics ranging from fundamental research to proposed methods and best practices in the market. Distinguished speakers, including national and international experts in fraud detection, data analytics and artificial intelligence from various sectors such as public administration, academia, research, and business shared their insights. The conference attracted 150 registered guests.

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<sup>12</sup> <https://www.facebook.com/magyarintegritashatosag>

<sup>13</sup> <https://www.linkedin.com/company/integritas-hatosag/>

<sup>14</sup> <https://integritashatosag.hu/en/>