

Subject: Input of the Integrity Authority to the information letter to be sent to the European Commission by September 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 Authority's operation to date, 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 agreements¹ with other governmental bodies to facilitate access to relevant databases. 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**

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Authority of Hungary); however, the process is put on hold by the counterparties without indication as to when they may be resumed. By time it became apparent to the Authority that these agreements could only define the modalities of data transfer without 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 access² 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, the Ministry of Interior 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 sanctions³.

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

² 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).

³ 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-beszamololo-2023-final.pdf>

contact with several organizations. The updates in this field in the third quarter of 2024 may be summarized as follows:

- **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 participated in the **International Anti-Corruption Conference (IACC)** that took place from 18 to 21 June 2024 in **Vilnius**, Lithuania. President Biró participated in the first **High-Level Meeting of Law Enforcement and Anti-Corruption Authorities**, and the Authority became signatory to the **Vilnius Declaration**, which includes commitments among others to protect those who fight against corruption, strengthen whistleblower protection. Furthermore, the Authority held successful meetings with the **delegation of Papua New Guinea** and the **Center for Advanced Defense Studies (C4ADS)**.

2. Register of economic operators excluded from public procurement procedures

In the third quarter of 2024, the Authority continued to take actions to establish a register of economic operators excluded from public procurement procedures.

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 and the Integrity Authority has achieved results in the third quarter of 2024 in the process of establishing such direct data links and in testing tasks:

- The connection to business register data is already available in a live environment, the first live queries have been run, and the development is being fine-tuned.
- The individual queries of the Integrity Authority are running in the live environment and the necessary permission for bulk queries has been obtained.
- 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. Until the completion of the development, with a cut-off date of 15 September 2024, the National Tax and Customs Administration will provide an off-line data service containing the active private entrepreneur persons included in the register.
- Test access to the Criminal records database is available from 7 August 2024. The Integrity Authority has started the necessary development work to ensure that the interface development, which is expected to be ready by 30 September 2024, can be put into use as soon as possible. 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. It is expected that the first criminal records requests will be launched in early October 2024.

- 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.
- 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 development work is underway at the Integrity Authority to establish a direct data link to this register.

The direct data connection to the registers are implemented by the Integrity Authority via the so-called Central Government Service BUSZ (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 continue with 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. Headcount and resources

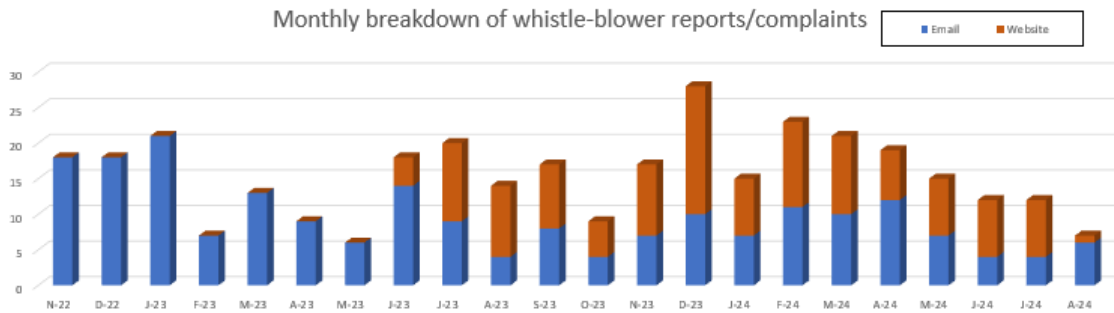
Over the past year, the Authority has experienced steady growth, with ongoing recruitment efforts supporting the workforce's expansion.

As of 23 August 2024, the headcount of the Authority reached 104 employees. The breakdown of the workforce is as follows: 28 in the investigation office, 20 in the president's office including HR, 15 in the finance office, 11 in IT office, 12 in the legal office, 7 in the registration office, 3 in the security office, 3 in the quality management office, 1 in internal audit, 1 in International Relations Office, 3 of the president and vice-presidents. The planned number of employees by the end of the year is around 150.

4. Whistle-blower report and investigations

The Integrity Authority's whistle-blower platform ensures anonymous and confidential communication. From establishment until 23 August 2024, the Authority received 339 whistle-blower reports (209 via email and 130 through its online whistle-blower platform). Additionally, the Authority received 34 notifications which were identified as spam. Out of

the 339 whistle-blower reports received, 181 reports (53% of the total) contained relevant and substantive information falling within the Authority’s scope and 158 reports (47% of the total) did not fall within the Authority’s scope.



In 104 of the 181 reports falling within the scope of the Authority’s powers, the Authority found that the information contained in the report was not substantiated and therefore there were no grounds to open an investigation based the report. Of the remaining 77 reports under the scope of the Authority with substantiated information, 29 cases are currently in the phase of data collection and preliminary assessment, 37 are under investigation, of which 16 have been closed⁴. Of the 16 closed investigations, 13 have been published on the Authority’s website so far⁵. The above mentioned 77 reports containing relevant and substantive information cover the following funding programs:

Related EU funding program	Number of meaningful reports
14-20 VP	15
14-20 TOP	15
General exposure	10
21-27 TOP+	8
14-20 GINOP	7
RRF	6
14-20 EFOP	6
14-20 TÁMOP	3
14-20 KEHOP	3
14-20 VEKOP	2
14-20 MAHOP	1
RSZTOP	1
Total	77

⁴ 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.

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

Besides the whistleblower reports received, the Authority initiated investigations in 8 cases based on its own risk assessment using publicly available data. Furthermore, in 6 cases a risk analysis is underway in preparation for a possible investigation and 2 cases are awaiting the Authority's decision on whether to initiate formal investigation.

Additionally, the Authority referred 8 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 4 cases and submitted 2 administrative appeals against a decision of the Public Procurement Arbitration Committee,
- initiated 1 proceeding for failure to act,
- submitted motions for revision in 15 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.

5. Reports published by the Authority

The Authority annually prepares an **Integrity Risk Assessment Report**. The first such report⁶ 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 has been published on the Authority's website with a May 2024 date⁷.

The Authority also publishes an **Annual Analytical Integrity Report**. The first report⁸ was published in June 2023 and the second report⁹ in June 2024. The report contains a 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 accordance with Section 12 (1) of the Eufetv, the Authority sent the Annual Analytical Integrity Report to the Hungarian National Assembly for information on 25 June 2024. The Hungarian Government shall, within three months of the publication (20 June 2024) of the Integrity Report provide to the Authority a detailed response to the recommendations listed in the Integrity Report. The deadline will expire on 20 September 2024.

⁶ [integrity-authority-integrity-risk-assessment-report-310323.pdf \(integritashatosag.hu\)](#)

⁷ In Hungarian: [Integritas-Hatosag-Integritaskockazat-elemzes-2024-002.pdf \(integritashatosag.hu\)](#)

⁸ <https://integritashatosag.hu/wp-content/uploads/2023/10/Annual-Analytical-Integrity-Report-2022-ENG.pdf>

⁹ In Hungarian [2023-Eves-Elemzo-Integritasjelentes.pdf \(integritashatosag.hu\)](#)

In addition to its regular reports, the Authority also publishes ad-hoc, special reports. The next **ad-hoc report** to be published is scheduled for October **on** the topic of **central procurement**, where contacts with stakeholders are currently underway for data requests.

6. 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 concluded. The Authority transitioned to managing its own activities independently and became self-sufficient. The settlement of the service elements received from EUTAF were 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 was made in accordance with the legal requirements (transfer of funds).

In addition, a partial separation from the centralised IT services provided by NISZ was completed on 26–28 April 2024. The legal environment and contractual issues related to the discontinued services are currently being resolved. Regarding the remaining services still provided by NISZ, the procurement process for the document management system is at the decision stage, and the Authority plans to be able to launch its own new case management system in early 2025, after which the document management system service provided by NISZ will be cancelled. Similarly, the procurement procedure for the mobile voice and data service is underway, where the Authority will be able to announce the outcome by the end of year 2024 at the latest and develop its own independent mobile fleet, and the related NISZ service will also be cancelled. The return of the equipment provided by NISZ already took place for mobile devices, and it is expected that the remaining notebook configurations will be fully returned to NISZ by the end of September 2024.

7. Anti-corruption Task Force

The Task Force published its 2023 Annual Report¹⁰ on 14 March 2024. In addition, some members representing non-governmental actors have also prepared a separate supplementary report¹¹ 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

¹⁰ <https://kemcs.hu/wp-content/uploads/2024/03/KEMCS-2023-rol-szolo-eves-jelentes.pdf>

¹¹ https://kemcs.hu/wp-content/uploads/2024/03/Kulonjelentes_a_KEMCS_2023-as_Jelenteshez_final.pdf

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 October 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).

A member of the Task Force representing non-governmental actors resigned from his mandate in the Task Force on 27 June 2024 by written declaration, in accordance with the Eufetv. The Authority has published an application to fill the post that became vacant and the deadline for submitting valid applications was 16 August 2024. By the deadline, the Authority received one valid application, which is currently under evaluation.

According to the information received from the Hungarian Ministry of European Union Affairs on the previous meeting of the Task Force held on 2 July 2024, the Ministry will submit the proposal for the amendment of Eufetv relating to the Task Force to the Hungarian National Assembly in September, which the Assembly will discuss in October. The proposed amendment is already in the legislative agenda of the Assembly.