

Subject: Input of the Integrity Authority to the information letter to be sent to the European Commission by December 4, 2023, 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') in order 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 Section 8 (1) of Eufetv., the Authority may enter into agreements with other state bodies and non-state bodies regarding communication and information exchange, as well as in order to facilitate the exercise of its powers in practice. The status of cooperation agreements initiated is as follows:

- Cooperation agreement is signed with the National University of Public Service and the Directorate of Internal Audit and Integrity in September 2023.
- The Authority sent the draft agreement to the National Tax and Customs Administration for final verification before signing in October 2023.
- The Authority accepted the text proposals sent by the Hungarian Competition Authority and the Hungarian State Treasury with technical clarifications, and the signing versions have been sent for final approval in November 2023.
- The draft cooperation agreements with the State Audit Office of Hungary and the Directorate General for Public Procurement and Supply (KEF) are under negotiations.

- The Authority has repeatedly contacted further state organisations¹, however the contract negotiations with them are currently on hold.

The Authority strives to engage in an active and meaningful cooperation with other state organs. It was anticipated that a cooperation agreement is a useful vehicle in achieving this objective. With one year passed unfortunately the Authority has to conclude, that such cooperation agreements will have minimal impact on the Authority's work. It became clear that only the modalities for the transfer of non-confidential data could be defined in the cooperation agreement unless it is specifically authorised by the legislation applicable to the cooperating partner.

Furthermore, the Eufetv. only allows the Authority to have access to data upon request in the case of open investigation, but even in that case it does not specify or make available access to banking, tax, insurance, etc. confidential data. As regards the control of conflicts of interest and asset declarations, the Eufetv. does not contain any specific right of access to information or data.

Therefore, as a next step, relevant changes reflecting the Authority's power to access information will need to be carried out in corresponding regulations as well as in Eufetv. in order to be able to conduct meaningful cooperation agreements that ensure access the all relevant data.

The Authority has repeatedly indicated in writing what extensions of powers and access to databases it requires to carry out its statutory tasks properly which was sent to the Ministry of Justice and to the European Commission as well. Most recently, the following database requests have also been sent to the Ministry of European Union Affairs, together with proposals for legislative amendments:

- Access to the Development Policy Database and Information System (FAIR) is not complete since access to the records of the Digital Renewal Operational Programme (DIMOP) is not ensured.
- Access to the Integrated Administration and Control System (IICR) of the Hungarian State Treasury is not ensured, it is required regarding the records of agricultural and VP programmes.
- Public access to the Electronic Public Procurement System (EKR) is ensured, however the data link is not complete, should be extended.
- Access to Company Register OCCR is ensured, but the data link is not complete, should be extended.

¹ Office of the Prosecutor General of Hungary, National Police Headquarters, National Office for the Judiciary, National Authority for Data Protection and Freedom of Information, Public Procurement Authority of Hungary.

- Direct Access to Insolvency Register is not ensured.
- Direct Access to Electronic Civil Registry is not ensured.
- Direct Access to Integrated Portal-based Query System (IPL) managed by the Deputy State Secretariat for the Management of Registers of the Ministry of Interior: personal data and address registers, vehicle registers, etc. is not ensured.
- Access to the Robotzsaru (Robocop) integrated administration, case processing and electronic document management system used by Hungarian law enforcement agencies and access to the criminal records are not ensured.
- Access to data subject to confidentiality: private secret information (including correspondence and professional secrecy and other private secrets), customs secrets, trade secrets (including bank secrets and securities secrets), payment secrets, confidential business information, confidential tax information and classified information (EUCI).

The Authority would welcome if the extension of its powers would be governed in the next comprehensive legislative amendments.

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

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

The Authority participated at the 22nd EPAC/EACN Annual Professional Conference and General Assembly held in Dublin on November 2-3, 2023, where, following its presentation to the General Assembly, the Authority was admitted to the membership of EPAC.

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

The Authority is in regular contact with the representatives of the OECD in order to ensure that the details of the support from the OECD are recorded in an agreement in connection with the reports to be prepared by the Authority (e.g. MAPS methodology).

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

The GlobE Network includes the anti-corruption authorities of all United Nations Member States. All organizations must submit their application for membership to

the organization through their country's Permanent Mission to the United Nations. Accordingly, the Authority forwarded its application for membership to the Permanent Mission of Hungary to the UN with the request that it be sent to the GlobE Network. So far, only the National Protective Service has joined the organization from Hungary.

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

The Authority contacted anti-corruption authorities from several EU member state in order to present international good practices for the purposes of Authority's report on asset declarations. Thus, we contacted, among others, 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).

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

In November 2023, the 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 gave a presentation on the integrity of pre- and post-public employment of public officials in Hungary and related good practices.

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

Representatives of the Authority will participate as country delegates at the COSP10 conference taking place December 11-15, 2023 in Atlanta, USA.

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

On September 28, 2023, an online introductory meeting took place the Authority's President and representatives and ANAC's President and representatives, as a result of which the Authority plans to sign a cooperation agreement with ANAC in early 2024.

- **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 November 9. 2023. On behalf of the Authority, President Biró participated as a speaker in the panel discussion titled "Strengthening Public-Private Partnerships against Corruption".

2. Public Relations and Communication

National awareness campaign

The Authority has launched a national awareness campaign on the major national online media platforms starting on 20 November. The campaign, which will last for 20 days, has the following aims: (i) to promote the Authority's whistleblower platform and (ii) to promote a change in the business culture in order to establish a social basis for zero tolerance against corruption.

Social media platforms

The Authority launched its Facebook page² in Hungarian in November 2023, which is now the second social media platform of the Authority after LinkedIn³. The content is complemented by demo videos demonstrating the use of the whistleblowing platform and its security features.

Website with extended content

By the beginning of December 2023, the Authority will launch an improved version of its website, which will include a news and a blog area, and 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 launched at the end of October.⁴

Digital Anti-Corruption Conference

The Authority organizes an international conference⁵ at Budapest titled 'Digital Anti-corruption – How to apply AI in practice?' on 7 December 2023. The event is designed to provide an opportunity for discussions and thinking together for the academic, business and public sector on new ideas, basic research, recommended processes and market solutions.

The presenters are outstanding Hungarian and international experts of fraud detection, data analysis and AI coming from public administration, universities, research labs and business sector companies. We are expecting 150 guests and meaningful discussions that could move the risk analysis and fraud detection activities of the Authority forward.

3. Register of economic operators excluded from public procurement procedures

In order to create a register of economic operators excluded from public procurement procedures, the Authority initiated numerous consultations with relevant ministries. It has

² <https://www.facebook.com/magyarintegritashatosag>

³ <https://www.linkedin.com/company/integritas-hatosag/>

⁴ <https://integritashatosag.hu/en/>

⁵ <https://integritashatosag.hu/digitalis-antikorrupcio-konferencia-2023/>

concluded that it was not possible to identify the data subjects properly from the current registers.

Therefore, the Authority proposed in October–November 2023 to change the identification process and to add appropriate personal identification data to the data reporting. To achieve this, a legislative amendment is necessary. The Government already initiated the process, and the amendment to the Fundamental Law has been submitted to the Parliament to facilitate the digital management of cases. Once the amendment to the Fundamental Law is adopted, the sectoral legislation should also be amended.

Furthermore, the development of the necessary technical, IT and administrative tasks by the stakeholders (including the Authority) has started. These will be finalised and the register will be ready to use following the legislative amendments.

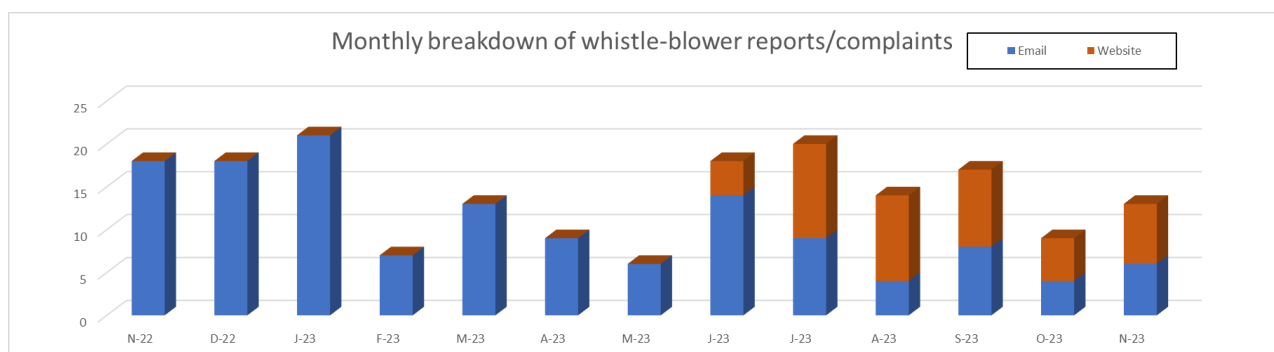
4. Headcount and resources

The headcount of the Authority is 80 employees as of 27 November 2023, with additional 10 offers accepted (joining in January). The 80 employees are divided as follows: 21 in the investigations office, 22 in the president’s office including HR and IT, 12 in the finance office, 9 in the legal office, 7 in the risk 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 whistleblower platform allows anonymous and confidential communication to be conducted.

As of 24 November 2023, a total of 183 whistleblower reports were received by the Authority (137 via email and 46 through the whistleblower platform on the website). Out of these, 95 reports (52% of the whistleblower reports) contain relevant and meaningful information pertaining to matters that are in scope for the Authority.



42 allegations proved not to be substantiated. Out of the remaining 53 reports, 5 cases are investigated, closed and published⁶, 16 cases are under investigation, 1 case is in preparation to open an investigation to be initiated by the Board and 28 cases are in the data collection and preliminary review phase.⁷

The above mentioned 53 reports containing relevant and meaningful information cover the following funding programs:

| Related EU funding program | Number of meaningful reports |
|----------------------------|------------------------------|
| 14-20 TOP | 12 |
| 14-20 VP | 5 |
| 14-20 KEHOP | 5 |
| CEF | 4 |
| 21-27 TOP+ | 3 |
| 14-20 TÁMOP | 3 |
| 14-20 EFOP | 3 |
| 14-20 GINOP | 3 |
| RRF | 3 |
| KEOP | 1 |
| RSZTOP | 1 |
| 14-20 VEKOP | 1 |
| General ⁸ | 9 |
| Total | 53 |

Besides the whistleblower reports received, on the basis of its own risk assessment using publicly available data, the Authority has opened investigation in 5 cases, has started preparation for potential investigation in 10 cases.

6. Risk assessment methodology

Preventing the inappropriate use of EU funds is at the core of the Authority's work. Therefore, the Authority works to develop its own risk assessment methodology, to establish a risk universe, as well as develop its own review and investigation methodology and platform.

⁶ For further details please refer to: <https://integritashatosag.hu/ugyek/vizsgalatok/>

⁷ There are 3 cases where 2 complaints with the same content were received, so the Authority merged the complaints into one case/investigation.

⁸ Not a complaint concerning a specific EU funding program: the subject of the complaint refers to a general misuse of EU funds

Currently, the Authority performs data analysis for risk assessment purposes manually, using traditional data analysis methods (i.e in MS Excel), and its risk assessment activity is also based on manual collection of information or via whistleblower reports on wrongdoing. However, these traditional methods are neither not efficient nor adequate for risk management at this scale and considering the large volumes of data relating to projects receiving, in part or in whole, financial support 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 where the adoption and implementation of international best practices – tailored for the context and purposes – is a must. This would allow 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 risks with the right skills and capacity.

Therefore, the Authority prepared a request for technical support under the Technical Support Instrument (TSI) programme under Regulation (EU) 2021/240 (TSI Regulation) and successfully submitted its application approved in the government decision to the European Commission within the deadline of October 30, 2023. The official result is expected in mid-February.

As part of the TSI programme, the Authority aims to receive expert support in (i) creating the Authority's long-term digital strategy, (ii) designing and drafting a digital action plan and performing the relating activities, (iii) developing a data-driven risk model for fraud and corruption risk assessment that is both effective and achievable, based on the diagnostic mapping and assessment exercise, and aligned with the Authority's digital strategy, as well as audit and quality assurance framework; (iv) capacity building for data-driven decision-making; (v) exchanges of best practices and implemented solutions with anti-corruption authorities and other competent authorities from other Member States to increase their analytical capability.

7. Reports published by the Authority

Annual analytical integrity report

The Authority is required to prepare an analytical integrity report every year. The first annual Integrity Report⁹ was made publicly available on 29 June 2023 on the Authority's website, covering the calendar year of 2022.

The Integrity Report, which is over 200 pages long, contains nearly 50 recommendations with the intention of introducing and strengthening good practices in the field of the public procurement system, the control system of EU funds, the Hungarian asset declaration and conflict of interest system. The key lesson from the work we have done is the need to introduce an "ownership approach" (and the responsibility that goes with it) and, where relevant, a risk-based approach across the whole range of institutions. The institutional control system needs to be equipped with the right human and IT tools, knowledge and methodologies to make control more effective.

The Government provided a detailed response¹⁰ to the recommendations listed in the Integrity Report on 29 September 2023. The Authority's position on the Government's response is currently under preparation and will be published in December.

Ad hoc report on asset declarations systems

In the ad hoc report to be published by 31 December 2023, the Authority examines good practices in other countries that could be transposed to the domestic context. On the basis of these international examples and its own analysis, the Authority will make recommendations to ensure that the asset declaration system can effectively fulfil its purpose and function.

The finalisation of the ad hoc report is in progress and will be published on or around 7 December.

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 in relation to the establishment of the Authority and provided the necessary infrastructure for a period of 6 months. Furthermore, EUTAF performed the economic organisational tasks of the Authority in accordance with the rules governing the

⁹ https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas_Hatosag_Eves_Elemzo_Integritasjelentes_20220629.pdf

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

management, accounting, data provision and operation of public finances for a period of 6 months.

The support provided by EUTAF on a daily basis and with due care has effectively ended, the Authority is self-sufficient and manages its own activities.

The transition to centralised IT supply provided by NISZ and the settlement of the service elements received from EUTAF are taking place in parallel, taking more time and are still ongoing due to reasons beyond the Authority's control. Settlement between the Authority and EUTAF is expected to be finalised in 2023.

9. Anti-corruption Task Force

The Task Force has currently 8 non-governmental members with the 2 remaining positions vacant, since in the last call for application only one application was suitable, namely Dr. Gábor Kutasi delegated by the Hungarian Economic Society.

A call for applications¹¹ for the 2 vacant Anti-Corruption Task Force positions for non-governmental members was published again on 15 November 2023. The Authority itself promotes the call for application on its LinkedIn profile and also the current non-governmental members of the Task Force were asked to promote the call for applications.

The Task Force held meetings almost every month, and the Minutes of the meetings are available publicly on the Task Force's website. The last meeting took place on 20 November 2023, and the next will be held on 18 January 2024 at which the Task Force is expected to decide, among others, on the following topics:

- Proposing amendments to Eufetv. and its Rules of Procedure based on the experience of the recent operation of the Task Force, including the possibility of replacing members who have indicated in their application that they support an NGO, the possibility of the Task Force having its own budget, the possibility of remuneration of members, the possibility of electing a vice-chair from among the members representing state organs, possibility of the Ministry of European Union Affairs being a member, etc.
- Proposal for the structure and themes of the next annual report due on 15 March 2024.

¹¹ https://kemcs.hu/wp-content/uploads/2023/11/Palyazati-felhivas_Korrupcioellenes_Munkacsoport_honlapra_20231107-1.docx