

TRANSPARENCY OF PUBLIC FINANCE MANAGEMENT

STATE AUDIT OFFICE OF HUNGARY
AS AN INSTITUTIONAL GUARANTEE
OF TRANSPARENCY

Horváth–Németh–Domokos



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PILLARS OF GOOD GOVERNANCE – FOCUS ON STATE AUDIT
OFFICE OF HUNGARY AS A SUPREME AUDIT INSTITUTION

Study Series

**TRANSPARENCY
IN SPENDING PUBLIC FUNDS:**

supreme audit institutions as institutional
guarantors of fiscal transparency

KEYWORDS:

transparency, publicity, utilisation, communication, SAO



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ABSTRACT

There is no well-functioning and well governed state without transparency. Democracy and accountability are underpinned by citizens' awareness of what happens to their money and how public funds are spent by those to whom they are entrusted. Transparency is intertwined with all legislation forming the basis of SAO's functioning and all its major strategic documents.

Transparency in SAO's functioning is realised at two levels: at regulatory and organisational levels. All SAO reports are public; meeting the requirements of the 21st century, they can be downloaded and searched digitally on SAO's website, and the audit plan and methodology are also publicly available. Moreover, SAO has elevated communication to the strategic level by creating in the spring of 2011, and operating and developing ever since, a SAO News Portal allowing the entire audit process to be tracked in a transparent manner. On a regular basis, the webpage shares information about action plans and major steps in utilisation, thereby also ensuring the transparency of SAO's own activities.

In strengthening transparency an important step was the formal renewal of SAO reports in 2015.

1. TRANSPARENCY AS THE BASIS OF THE WELL-FUNCTIONING STATE

While the article on SAO of the Fundamental Law adopted in 2011¹ does not refer to transparency *expressis verbis*, it does so indirectly. On the one hand, the Fundamental Law provides that SAO is Parliament's supreme financial and economic audit body tasked to supervise the use of public funds and national assets.

An audit by itself already serves transparent functioning since an auditor's job is exactly to make visible otherwise invisible facts and processes and reveal concealed errors and the absence of regulatory compliance. On the other hand, the Fundamental Law requires SAO's President to submit a report to Parliament on SAO's activities.² This provision serves as one of the principal guarantees of SAO's transparency as every year it allows an opportunity for Parliament, and indirectly for citizens, to exercise control over SAO's work.

The new SAO Act³ provides that all SAO reports are public. This latter provision represents a significant step forward compared to earlier regulations since between 1989 and 2011 a number of reports were made by SAO which were not available to the public at large, a situation certain elected leaders were, unfortunately, quick to abuse. Under the Act, SAO is also empowered to determine the audit methodology independently, but is required to make it publicly accessible. That is another essential guarantee of transparency.

Besides legal regulations SAO's strategic documents⁴ also attach increased importance to

¹ Article 43 of the Fundamental Law of Hungary (25 April 2011)

² Article 43(3) of the Fundamental Law of Hungary (25 April 2011)

³ Act LXVI of 2011 on the State Audit Office of Hungary (1 July 2011)

⁴ (<http://www.asz.hu/strategia/asz-strategia/asz-strategia-2011.pdf>), downloaded: 10 September 2015

the question of transparency. SAO's Strategy declares that audits serve transparency in spending public funds and that transparency is the guiding principle in the entire organisation's operation from communication through staff recruitment to information technology.

Based on legal regulations, transparency permeates SAO's functioning at least at two levels. One is transparency in spending public funds, an objective served by the reports themselves. Related to this is the priority objective to ensure that findings or recommendations formulated in the reports are also utilised in practice and everyday life. This is conditional on SAO's ability to convey its findings to stakeholders, i.e. target groups via appropriate channels and in an appropriate form.

Another aspect is the transparency of SAO's own institutional functioning. The State Audit Office believes that it must show an example to other public institutions in terms of both effectiveness and transparency. There is more to real transparency than the publication and universal accessibility of SAO's reports. The goal is for transparency to go beyond the required minimum. Primarily, this involved making SAO's reports easy to understand and use, and the set-up of a special online interface, the SAO News Portal⁵.

Real transparency is inconceivable without ease of understanding and communication geared to target groups. Namely, there is no "one size fits all" recipe, and different stakeholders need materials of different levels of detail and length. The head of an audited organisation can work out an action plan based on a report including detailed explanatory statements. By contrast, a mayor or member of parliament does not have the time for this; instead, they can make the best

use of an executive summary. An inquisitive citizen consciously preparing for elections finds relevance in how public funds are used by those to whom they are entrusted. Therefore, in addition and related to the detailed findings of its reports, SAO also prepares other communication materials that it conveys to pre-determined target groups in every case. Transparency is also served by SAO's particular emphasis on the utilisation of its work, which is accomplished primarily through proactive communication.

1.1 SAO's utilisation methodology⁶

The 4P model of product sale as used in classical marketing can be considered the basis of SAO's⁷ utilisation methodology. In this case, the product itself is SAO's report or analysis, which is basically SAO's knowledge. That is what must be sold in the marketplace for which buyers known as target groups must be found and channels through which SAO can communicate its messages without distortion must be developed. In addition to ensuring proactive and uninterrupted information flow, effective operation is also critically dependent on regular feedback, measurement and analysis. In marketing terms, this can be seen as a kind of market research. In risk analysis and planning, needs must be recognised, and the themes and matters at the focus of public and parliamentary discussions must be understood in great detail, together with areas where changes – e.g. regulatory changes – are anticipated or may become

⁵ www.aszhirportal.hu, SAO News Portal

⁶ Horváth, B., Kolozsi, P. P., Németh, E. (2013): "Számvevőszéki ellenőrzések a társadalom szolgálatában – az ÁSZ katasztrófavédelmi jelentésének használata" (SAO Audits in Society's Service - Utilisation of SAO's Emergency Response Report), *Polgári Szemle*, October 2013 – Vol. 9, Issues 3–6

⁷ The marketing plan and key decisions concern four areas, representing the four main components that constitute the marketing mix. Based on the initial letters of the corresponding English terms, they make up the 4Ps (product, price, place, promotion).

relevant from the aspect of audits concerning the use of public funds in the months or years to come. The efficient fulfilment of tasks calls for accurate planning and regular measurement and analysis, which in turn requires regular feedback from each area of utilisation.

The point of departure of SAO's evaluation is that several levels of the utilisation of its work can be identified, each of which requires specific measurement methods and techniques. In recent years, SAO has worked out qualitative and quantitative indicators to measure utilisation, and has been collecting and analysing those indicators on a regular basis.⁸ Not all reports are utilised at each level: certain reports trigger public debates, such as SAO's report on public debt⁹, while the added value of others can be captured in their use in practical life.

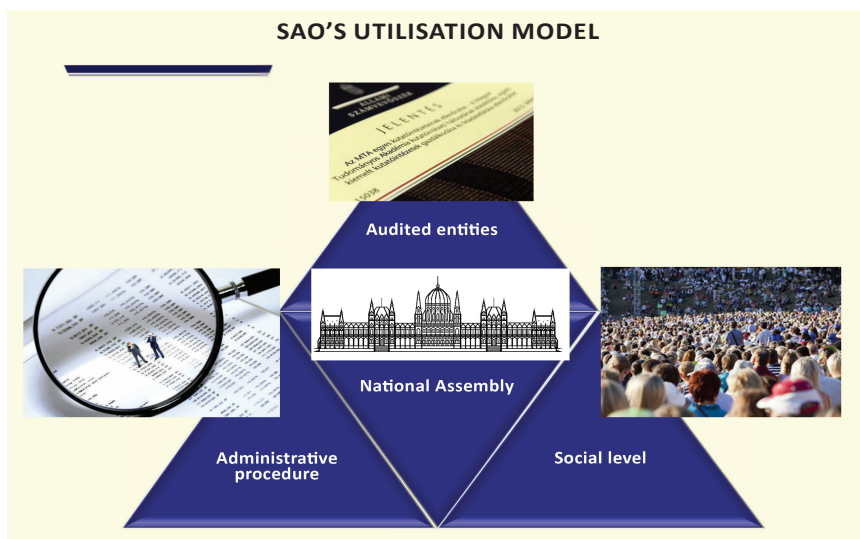
1.1.1 Levels of utilisation

Effective utilisation is based on the chosen audit theme. Threats and risks must be identi-

fied during planning. Auditors must perform audits wherever there are real problems and changes will occur, such as certain areas being at the focus of law-making. The goal is to make the spending of public funds more transparent and effective, and to ensure that institutions and systems providing public services operate more efficiently. SAO faces the need to address topical issues concerning many people by means of professionally sound responses. Besides, efforts must be made to carry out audits in areas formerly going unaudited.

SAO aims to provide a professional context for public policy debates. It intends its reports and findings as points of orientation. Experience has shown that for these purposes messages must be conveyed to the target audience, which in turn requires that communication be tailored to specific target groups. Different stakeholders need materials of different levels of detail and length. Therefore, in addition and related to the detailed findings of its reports, SAO also prepares other

Figure 1



⁸ Németh, E. (2013): "Innovation in promoting the benefit and value of reports", UN/INTOSAI SYMPOSIUM, March 2013

⁹ Report on the audit of debt and long-term obligations within the central subsystem of State Finances (1294) (www.asz.hu/felentes/1294/felentes-az-allamhazartas-kozponti-alrendszerenek-adossaga-es-even-tuli-kotelezettsegvallasanak-ellenorzeserol/1294j000.pdf), downloaded: 10 September 2015

communication materials that it conveys to pre-determined target groups in every case.

1.1.1.1 The level of audited entities

The most obvious level of utilisation is the level of audited entities. From this aspect, an important step forward was the new SAO Act entering into effect in 2011, which required audited entities to cooperate and prepare an action plan. Formerly, barely half of the proposals made resulted in any response measures, and the head of an audited organisation could simply ignore auditors' warnings. That is no longer possible today as legislation now also contains the option to impose criminal sanctions for failure to cooperate with SAO.

The proposals made in reports and the action plans prepared in response continued to be monitored in 2015, with previously audited organisations undergoing follow-up audits (on the subject matters referred to above in detail), while the aftermath of SAO's proposals was also assessed by means of Value and Benefits Interviews with formerly audited entities. In addition, in presidential notifications and letters specified in the SAO Act and addressing the heads of audited organisations and entities exercising owner's and operator's rights SAO also pointed out risks in addition to audit findings or problems revealed outside the audited period.

In 2015, out of 750 audited organisations SAO formulated for 350, nearly 2000 proposals requiring measures in total. Naturally, SAO also monitors the implementation and aftermath of these proposals.

1.1.1.2 Information at the level of society

Transparency and the provision of information at the level of society are basic and legitimate requirements vis-à-vis SAIs that are able to respond to the challenges of our times. Citizens have a basic democratic right to follow the use of public funds. This is ensured for Hungarian society by SAO; in other words, auditors make it

possible for voters to make informed decisions with regard to public finances.

We must know whether our findings and messages get across to the final customer of our work—the tax-paying citizen. That is why we collect and analyse media responses to SAO's work, including domestic and foreign printed and electronic press, social media platforms, and television and radio stations.

Press relations have a key role to play in respect of utilisation at the level of society. That determines the opportunities for the utilisation of particular reports since it is through the media that a large part of society and, from a certain aspect, decision-makers themselves are informed about SAO's operation, strategy, audit focus, report findings and experience as to the use of public funds.

Through its press activity, SAO monitors the extent to which news published about the Office are positive or negative, the percentage of news originated from SAO itself, i.e. the primary source, and the percentage of news about SAO from other sources, as well as what reports and analyses receive news coverage and in what cases interest is less intensive and why. The quantity of, and themes covered by, news published on the institution's official website and News Portal are monitored and the impact of press conferences evaluated. All SAO reports are public and downloadable, allowing the number of downloads per article to be measured on a daily basis. For detailed information about SAO's communications, refer to sub-chapter 3.

1.1.1.2.1 Professional and academic community

SAO considers the professional and academic community an important partner and thus its work will be utilised if its findings enter scientific circulation. SAO measures the number of conferences, seminars and forums organised with its professional partners; of conferences addressed by its employees; and of scientific publications, writings or books published in

relation to its reports. SAO publishes a public finance periodical entitled Public Finance Quarterly with an impact factor, operates a related online portal (www.penzugyiszemle.hu) and measures the cascading effects of articles published on these forums.

1.1.1.3 Parliament and legislation

It is SAO's statutory responsibility to support, through its audit experience, "good governance" and the legislative work of Parliament. In the legislative process it is critical that decision-makers are informed in time and in the appropriate depth about the public finance and fiscal implications of laws and their long-term social and economic impacts. With its reports, SAO aims primarily to ensure that laws are as well-founded as possible and so it pays special attention to how many regulations are drafted based on its recommendations.

SAO keeps MPs, officials, committees, factions and ethnic minority spokespersons updated about the publication and availability of our reports on audit findings. In 2015, in order to provide direct information to MPs and maximise the utilisation of its work, SAO sent out information materials and professional summaries to Parliament and its committees on 12 occasions. In relation to SAO's recommendation concerning Parliament's legislative agenda, President László Domokos directly addressed 10 committee chairmen with notification letters, and drew committee chairmen's attention to SAO reports falling within their remit in an additional 11 cases.

1.1.1.4 Initiating administrative procedures

Since SAO is not an authority it does not have powers to conduct investigations or apply sanctions in the wake of audit findings, only to initiate proceedings with the competent body to enforce legal consequences. If in the course of audits the suspicion of criminal offences arises SAO is required to communicate the relevant findings to the competent authority without delay.

Following such indication, the case will be owned by the notified authority; consequently, in consideration of the interests of investigations and other administrative procedures, SAO does not provide specific information about the status or outcome of cases. Moreover, since all SAO reports are public and available on the organisation's website, any authority is entitled to initiate procedures within its own competence based on their findings.

In 2015, SAO notified authorities or competent bodies on 171 occasions on grounds of suspected criminal activities or gross regulatory breaches found in the course of its audits. In 2013 and 2014, there were 31 and 109 cases, respectively, where SAO availed itself of this instrument. The rising number of administrative notifications is a consequence of the increased number of audits and audit sites as well as of SAO's risk analysis system enabling it to identify problem areas and organisations. Therefore, it cannot be concluded from this rising trend that overall there is a growing number of public finance irregularities; however, what can be seen is that it was necessary to enact new powers.

2. COMMUNICATION AS A GUARANTEE OF TRANSPARENCY

Communication has a lead role to play from the aspect of social utilisation. In its communications, SAO uses different forms of maintaining contact with society and the media, working out as it did several innovative techniques in recent years. Collectively, these ensure that its audit findings and the ensuing measures reach the widest possible range of stakeholders and do so as accurately as possible.

In order to attain its objectives, it is crucial for SAO to have a strategic view of its communication. That is why it builds its communications according to a consciously designed set of inter-related principles, while in practical implementation it continuously seeks to innovate and apply modern technologies. Besides, it measures and analyses the results achieved. However, it is critical that communication in itself is not an end but a means to an end whereby SAO can improve the social utilisation of its auditing activities and the public recognition of the institution.

2.1 Communication design with utilisation in mind

Detailed planning is central to effective communication. For each report, SAO prepares an individual communication plan known as a Utilisation Communication Plan and determines for each period – usually three to four months – the range of strategic themes and messages to focus on in institutional communication.

SAO assigns utilisation concept to each of its reports and outlines the steps planned to be taken towards utilisation. Particular importance is attached to the utilisation levels of legislation; any legal consequences of its audits; any con-

tribution to social, scientific and public policy debates and solution-seeking efforts; informing citizens directly and through the media; and measures taken by audited entities.

In its Utilisation Communication Plans, SAO determines not only the press communication channel related to disclosing its findings but also messages to convey to individual target groups and accurately plans each step and activity to reach them.

2.2 SAO News Portal – news from an authentic source

By renewing its communications SAO principally aimed to become the primary source of news of itself and be able to share quick, up-to-date, undistorted and authentic information. It sought to achieve a situation where neither facts nor its opinion and interpretation can be bypassed whenever references are made to SAO. Debates should not start from what others think about SAO but from how SAO views itself. In addition, recognising the potential in online communication, in 2011 it created a new online interface known as SAO News Portal to complement the institution's traditional website (www.aszhirportal.hu).

The News Portal allows insight into SAO's daily work creating, in a unique manner even by international standards, transparency of the operation of our publicly funded institution. Visitors can track audit processes through the various audit phases from planning and topic selection to utilisation.

The SAO News Portal is the primary tool of the organisation's external and internal communication. It reports everything that happens in the institution's life, thereby making its internal organisation's operation fully transparent and allowing SAO staff to keep abreast of current events. This highly intensive flow of information is also critical in terms of commitment to the organisation.

A special feature of the News Portal is that content is provided by auditors themselves rather than a designated organisational unit. In the first half of 2016, of the 600 employees of the institution approximately 120 had privileges to upload unmoderated publications under their own names and organisational units. Colleagues heading and managing audits are required to prepare regular reports and publications in accordance with a pre-determined schedule included in Communication Plans linked to each audit, an activity monitored by the organisational unit in charge of communication¹⁰.

2.2.1 Intensity of communication – an international comparison

A 2014 survey¹¹ concluded that the 49 EU-ROSAI member SAIs could be categorised into 3 large groups based on their online communication. The availability of a website in at least two languages (one being English) illustrated

with news and photos and offering an option to sign up to a newsletter or send messages can be considered the norm. The use of social media tools cannot be deemed standard practice; there are only 12 SAIs characterised by a video-sharing channel (YouTube) and/or a news website also enabling dialogue (Facebook, Twitter), but these countries certainly belong to the group engaged in more intensive online communication. The least active communicators are SAIs having a website but without or partially available multilingual contents, without any images, news or media tools, or, in an extreme case, with no website at all. Our survey found that the Hungarian State Audit Office – apart from social media applications – belongs to that group of SAIs which pursue particularly intensive communications.

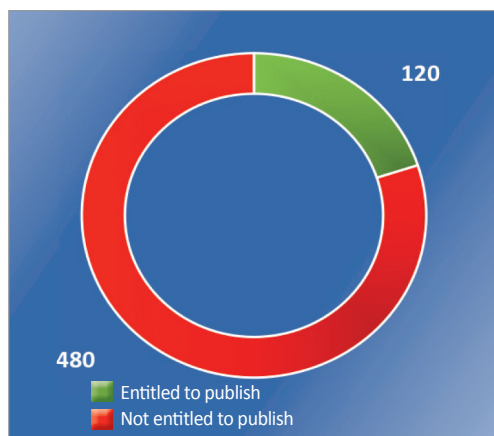
2.2.2 Results in figures (2015)¹²

In 2015, the number of published articles and individual visitors on the SAO News Portal increased by 30% and over 55%, respectively, compared to the previous year. This means that SAO ensured, to an outstanding degree, transparency in respect of its everyday work and activities.

In 2015, SAO employees published altogether 1,293 articles in Hungarian on the SAO News Portal. On a monthly basis, 107 items of news appeared on average and, including holidays and week-ends, 3.5 new articles on average per day were available for viewing by readers. Comparing all this to 980 articles published in Hungarian in 2014, the number of articles released in 2015 rose by about 30% over the previous year. The number of published articles reached or exceeded 80 per month, with the exception of one summer month, evidencing that SAO continued to ensure the transparency of its work and activities.

Figure 2.

Number of SAO Employees entitled to upload content on SAO News Portal – first half of 2016



Source: author's own editing

¹⁰ Department of Communication and Institutional Relations (KKO)

¹¹ Horváth, B., Ungvári, P. (2014): "Közösségi média a számvevősékek szolgálatában" (Social media in SAIs' service), *Public Finance Quarterly Online*, 9 September 2014 (<http://www.penzugviszemle.hu/tanulmányok-eloadasok/kozosségi-média-a-számvevősékek-szolgálatában>), downloaded: 10 September 2015

¹² Horváth, B., Radócz, Á. (2016): "1300 cikk és közel 55 ezer egyedi olvasó 2015-ben" (1,300 articles and nearly 55 thousand readers in 2015) (<http://www.aszhiportal.hu/hirek/1300-cikk-es-kozel-55-ezer-egyedi-olvaso-2015-ben>), downloaded: 13 April 2016

In 2015, the number of page views reached 375,251 for articles in Hungarian, while in the preceding year this number was 284,425. The increase (31.93%) was spectacular in this case, too. The average number of page views per month exceeded 20,000 translating into 1,028 downloads per day on average. In 2015, articles in Hungarian attracted 53,542 individual visitors in total. The same figure was 34,410 in the previous year. The number of visits increased by 55.6%. The average number of readers exceeded 4,400 per month, which meant 146 individual readers per day on average.

In 2015, in addition to Hungarian language articles SAO also published 238 articles on the foreign language pages of the News Portal. These articles are divided as follows: 134 articles in English, 65 articles in German and 39 articles in French. The overwhelming majority of articles are translations of weekly, monthly, quarterly and six-monthly summary articles and in part linked to SAO's key events and international events. In 2015, foreign-language articles attracted 2,824 visitors in total

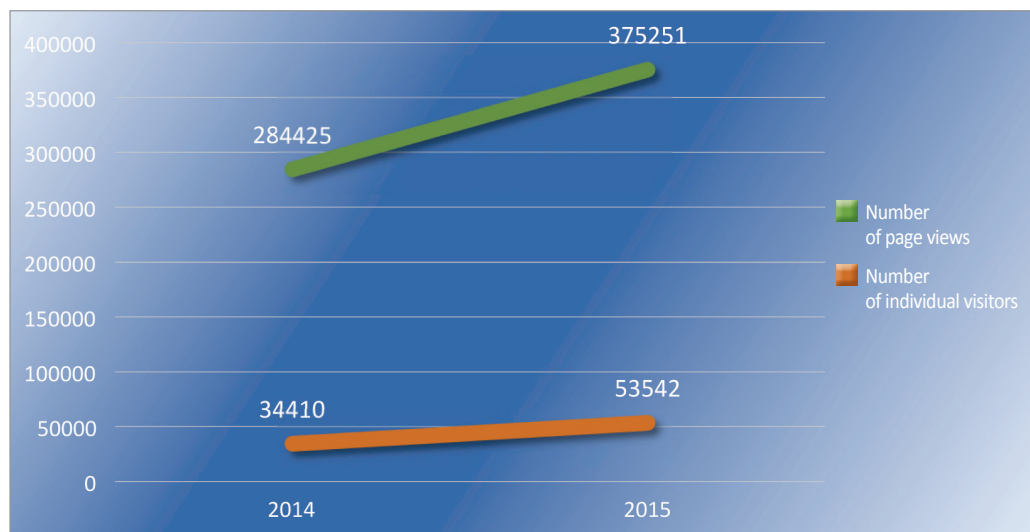
and the number of page views reached 19,016. This meant that the number of downloads from the SAO News Portal approximated 400,000 in 2015.

84 articles were released about the publication of reports and 711 articles covered audits in progress. 221 items of news directly dealt with utilisation, i.e. utilisation at the level of legislation and Parliament and by way of media and scientific references. In addition, 73 items of news covered SAO's international activities and another 182 focused on other organisational events. Most of these articles were materials or studies of a summary and analytical nature, or focussed on SAO's internal events, recreational or social responsibility-related activities.

In the first half of 2016, the number of published articles on the SAO News Portal continued to grow¹³ with 808 articles released during a 6-month period. Compared to the same period of the previous year, this meant an increase of about 25%. In the first 6 months of 2016, the number of page views on the SAO News Portal approximated 200,000.

Figure 3.

Increasing reach of Hungarian news on the SAO News Portal



Source: author's own editing

¹³ Horváth, B., Radócz, Á. (2016): "Több mint 800 új cikk fél év alatt az ÁSZ Hírportálon" (Over 800 new articles in six months on the SAO News Portal) (<http://www.asz-hirportal.hu/hu/hirek/tobb-mint-800-uj-cikk-fel-ev-alatt-az-asz-hirportalon>), downloaded: 25 July 2016

2.3 Targeted press communication

The media is the primary means of communication for the utilisation of SAO's work. That is why it is so critical that SAO's press communications remain well-controlled and its press materials can be used by journalists. To this end, in the first half of 2014 SAO renewed press releases on individual audit reports.

The primary goal was to make press materials publishable almost completely unchanged in daily papers or on an online news portal. Therefore, the maximum length was set at 3,000 characters (with spaces) inclusive of a summary lead of 400 to 500 characters covering key audit messages. Experience has shown that this length is the most suitable for and can be best used by the media.

Thus, in its focussed press releases SAO determines the most important messages, seeking to use accessible language, and thereby ensuring that the press carries what SAO wants it to carry. All this enables particularly well-controlled communication.

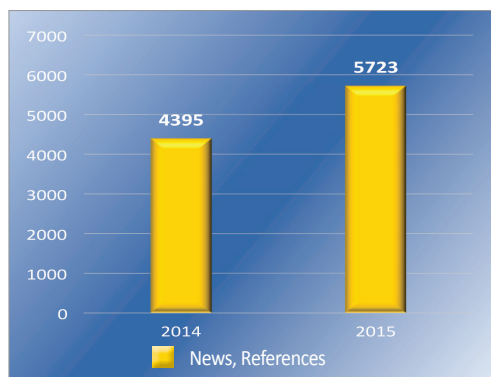
2.3.1 Results in figures (2015)¹⁴

In 2015, a total of 5,723 news items and references were published in the Hungarian media concerning SAO's audits and activities. This corresponds to a more than 30% increase from 4,395 in 2014. Quantitative media analyses prepared by KKO have revealed that a little more than 60% of news and references mentioning SAO were released on online pages and 20% each in the printed media, and on radio stations and television channels.

Proactive communication is demonstrated by the fact that some 75% of press news originated directly from SAO. Summarising the results, it can also be seen that a little over 88 million visits (Online OTS) were linked to articles released on online interfaces, while in the printed media articles covering SAO's activities accounted for

Figure 4.

Number of SAO Media Appearances



Source: author's own editing

an advertisement equivalent (Print AVE) of nearly HUF 235 million. This was what SAO's media positions would have cost in the national printed media, had they been purchased at advertisement list-prices.

2.4 Information taken to the local level

Audit reports are normally released as part of press conferences, where attention is directed at SAO's findings. The goal is to deliver messages to primary stakeholders. As some of the audits take place at the local level (*e.g. at a local municipality, school or hospital*), rather than using conventional mass media (*e.g. conventional press conferences or notification of the national press*) other options must be applied.

SAO has worked out a solution known as electronic press conference. Since December 2011 such conferences have become standard practice for what is known as thematic group-based audits (*typically concerning municipalities*). Using the opportunities provided by the internet, SAO directly furnishes first-hand information to local editorial staff and journalists. A few days before publication it notifies geographically competent

¹⁴ Horváth, B. (2016): "Kommunikációs és kapcsolattartás 2015-ben" (Communication and contact in 2015) SAO News Portal (<http://www.asz.hirportal.hu/hu/hirek/kommunikacio-es-kapcsolattartas-2015-ben>), downloaded: 13 June 2016

county media of relevant audits, granting them the opportunity to ask questions by email or phone. Our colleagues supervising the audit are available continuously in the specified period (usually for one hour). Additionally, press releases about audits are sent out in a targeted manner to county and regional press lists.

The option of electronic press conferences is always offered to the local press, which strengthens SAO's openness, partnership and transparency. Local residents thus have direct and authentic information about audits concerning them, e.g. they can learn about an audit at the local municipality or a local institution from the local radio or television.

2.4.1 Results in figures (2013–2015)

Electronic press conferences have become standard practice since 2013. In 2013, 2014 and 2015, 42, 49 and 45 electronic press conferences were held, respectively. During this period, the number of electronic press conferences and press summaries sent out generated nearly 1,000 media appearances (news/reports/articles) primarily in county and daily papers and on online platforms covering local issues. Conventional reach targeted at the national media would have provided virtually no coverage media of such audits. Feedback and results confirm that electronic press conferences should continue to be part of our toolset.

2.5 Value and Benefits Interviews

From the aspect of gaining an understanding of the utilisation and impacts of audits, it is important to know the opinion of audited entities. Pursuant to statutory provisions, audited organisations (users of public funds) must prepare an action plan which is then approved by SAO's

President. The implementation of action plans is evaluated within the scope of follow-up audits. All this ensures at the regulatory level that audits indeed have real consequences. This is the real result of SAO's work and therefore it is critical to present these achievements to the public at large. In order to achieve this objective a tool known as value and benefits interview has been introduced.

A few months after a given report is published an interview is conducted with the audited organisation (mostly with the top executive or the financial executive) about how they make use of the findings and recommendations of SAO reports and what positive impacts audits have had on them. Articles so prepared also including video contents are then presented, similarly to other aspects of SAO's work, on the SAO News Portal.

On 31 May 2016, an interview was published with Dr Tünde Handó, President of the National Office for the Judiciary (OBH), in which the OBH President said¹⁵ that “the central administration of courts has been put in a much better managed and concentrated framework following the SAO audit”.

On 20 April 2015, the SAO News Portal released a value and benefits interview with Dr József Dancsó, President of the Hungarian State Treasury¹⁶. The State Treasury President reported in a publicly accessible manner that “the State Treasury has renewed its information technology system and adopted new Operational and Organisational Rules in the wake of SAO's audit.”

2.6 Renewal of SAO's reporting format

By renewing the format of its reports, SAO's primary purpose was to come closer to users. To this end, the contents of SAO reports – as the fundamental outputs of audit findings –

¹⁵ Value and benefits interview with Dr Tünde Handó, SAO News Portal 31 May 2016 (<http://www.asz.hirportal.hu/hu/hirek/-hasznosulasi-interju-orszagos-birosagi-hivatal>), downloaded: 25 July 2016

¹⁶ Value and benefits interview with Dr József Dancsó, SAO News Portal 20 April 2015 (<http://www.asz.hirportal.hu/hu/hirek/hasznosulasi-interju-magyar-allamkinstar>), downloaded: 25 July 2016

have been rearranged to include headings and contents facilitating orientation and highlighting each thematic unit. Just as the aforesaid two areas, this is part of a longer process of organisational and audit-related professional renewal culminating in outstanding results.

Putting SAO's basic products on new foundations, i.e. the new concept of appearance also serves the development and strengthening of a new kind of audit approach. In essence, it is closely linked to revisiting methodological renewal and quality-managed operation. In the case of SAO reports, a highly focussed, transparent and well-structured appearance also means the completion of methodological development and thereby the implementation of particular elements of quality-controlled operation in practice is made more effective.

The structure of the new reporting format is more transparent than the old one and the contents of certain thematic units are now more clearly delineated. The new format presents a transparent layout for audit criteria, i.e. the issues to which audits seek answers. With this solution, the targeted nature of reports has been strengthened while users have become better able to have a transparent view of what issues SAO has commented and why.

The novelty of the new reporting format is that the appearance of the newly applied methodology is also characterised by clearer and better-structured presentation. The presentation of the audit methodology at the right level of detail and professionalism is central to ensuring and strengthening credibility. Also, the section of the report summarising findings has been renewed resulting in a shorter and more focussed executive summary. With the increased use of visual tools, an effort is made to improve comprehensibility.

The order of thematic units has been rearranged. In this respect, the objective is to en-

able the user to have access to audit findings and conclusions as quickly as possible. It was important to ensure that in the new format nothing breaks the train of thought and the reader is able to logically follow the purpose, questions, answers, findings and conclusions of the audits and the evidence.

Clearly, a well laid-out, highly transparent, electronically easily searchable and user-friendly SAO reporting format has been created in consideration of a number of criteria and thus reports have become more usable, more effective and hence more successful, further strengthening the institution's transparency.

2.7 Measurement, analysis, evaluation and development

2.7.1 Quantitative media analyses

An integral part of communications is the daily monitoring and regular analysis of media appearances. Quantitative media analyses summarise the results of SAO's periodical press activity and present media appearances broken down by theme, message and media type. Standing criteria examined in analyses: scrutiny of media releases in terms of origin and presentation format (print, online, RTV); polarity of releases (positive, negative or neutral); media coverage of the audit topics indirectly shaping public opinion; grouping of themes on the agenda by content; Print AVE value¹⁷; total circulation: general circulation data for each press release; online, OTS access¹⁸.

2.7.2 Quantitative text analysis

SAO lays increased emphasis on the utilisation of its work. The National Assembly plays a key role in the utilisation of SAO reports. In or-

¹⁷ Equivalent advertising value expressed in HUF as calculated from the number of characters of an article appearing in nationwide printed press and the advertising fees of the given type or press. (Data retrieved from MATESZ Print Audit – Observer Médiafigyelő);

¹⁸ "Opportunity to see" - Number of visitors having a chance to read the released content (Source of the data: Online Publishers' Audit);

der to ensure that findings are reflected in legislation and SAO's work is utilised, it is important for MPs to acquaint themselves with the findings of reports. We used to measure MPs' opinion of SAO's communication indirectly, on the basis of references to SAO made in the minutes of plenary and committee meetings. In order to ensure more effective measurement of utilisation, we applied a new data mining-based textual analysis of parliamentary minutes in 2014.¹⁹

The method allows determining how frequently certain words occur in the context of other words, i.e. in what context certain expressions occur in particular texts.²⁰ From the aspect of SAO's activity, the purpose of using this technique is to gain an understanding, with the help of publishing the results of textual analysis of parliamentary minutes visits, of how in parliamentary work SAO's activities are utilised and how new subjects that may uncover new audit areas are raised. From the aspect of communication, the entity shaping what is known as the "prevailing discourse" is highly essential, which warrants an extension of the method of textual analysis to include quantitative, then qualitative analyses of press coverage.

¹⁹ A report was made on the analysis on 13 February 2015. The method was developed with the contributions from János Birher, head of the group, and János Abonyi, István Boros, Mihály Kocziha, Andrea Szigeti and Gábor Veress.

²⁰ Birher, N., Boros, I., Kocziha, M., Kolozsi, P., Stummer, A., Sztráray-Kézdy, É. (2015): "A kvantitatív szövegelemzés mint előrejelzési lehetőség" (Quantitative textual analysis as a predictive option), *Public Finance Quarterly Online* (<http://www.penzugyiszemle.hu/tanulmanyok-eloadasok/a-quantitativ-szovegelemzes-mint-elorejelzesi-lehetoseg>), downloaded: 10 September 2015

3. FAMILIARITY WITH AND RECOGNITION OF SAO'S ACTIVITIES: PUBLIC OPINION SURVEY

Public opinion surveys are one of the most obvious tools to measure society's awareness and recognition of SAO's activities. In 2005 and in 2015, Ipsos Zrt. and Tárki, respectively, conducted surveys commissioned by SAO among the adult population. The surveys were designed to explore the extent of the population's familiarity with and opinion on SAO's work. Respondents in both surveys represented the adult Hungarian population aged over 18 years along major socio-demographic factors. The survey was conducted using personal interviews on samples of 1,551 and 1,000 respondents, respectively.

Tárki conducted several surveys, most recently in 2013, on institutional confidence (Tóth, 2009; Keller, 2013).²¹ Repeated surveys also enable comparison over time. Among other things, the survey covered confidence in different public institutions, which was assessed specifically for 12 such institutions. On a scale of 0 to 10, respondents were asked to indicate the level of trust they had in a given institution. According to the results, of the 12 institutions under review in 2009, SAO ranked 2nd following the Hungarian Academy of Sciences, while in 2013 it slipped back to the 3rd place. This loss of position is not explained by diminished confidence in SAO – in fact, it somewhat even grew between the two surveys – but by a high degree of improvement in the case of Police, as a result of which the Police jumped ahead to the 2nd place.

The theoretical mean of a scale of 10 is 5; according to the results, it was only the Hungarian Academy of Sciences that ranked above this theoretical mean on both occasions (in 2013 with the Police). Mistrust is thus more typical in respect of the other public institutions than confidence.

Confidence in public institutions is often linked to satisfaction with them and so the level of the Hungarian population's satisfaction with their operation also came under scrutiny. From the aspect of satisfaction with operations, SAO ranks in the middle range of the institutions under review. In the period under review (between 2009 and 2013), the satisfaction indicator developed positively, i.e. people were more satisfied with SAO's operation than 4 years before.

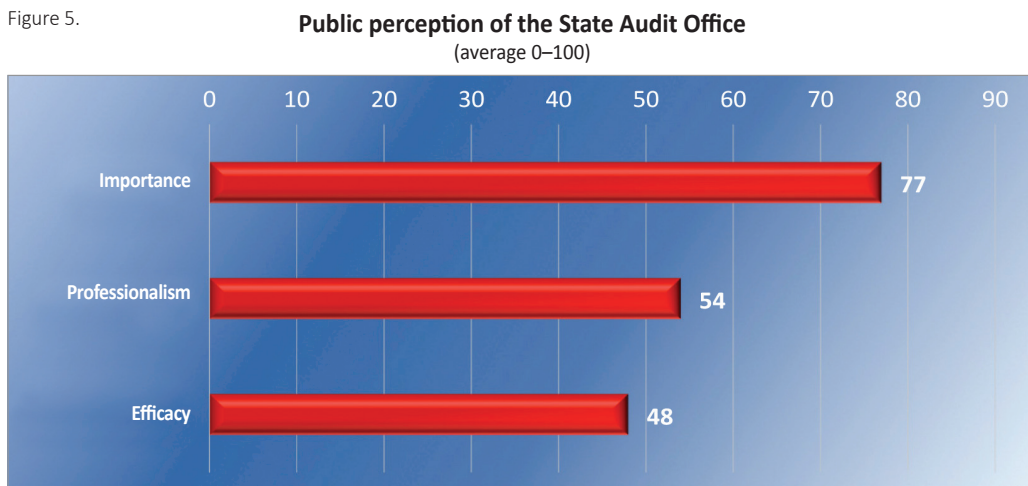
In 2009, Medián collected data to measure institutional trust (Bakonyi, 2012).²² The confidence index consisting of four levels to enable easier management was transformed into a 100-level indicator, based on which the overall average credibility score of the institutional system was calculated at 48, i.e. it showed a more or less neutral value.

This result could even be considered favourable in the few months following the onset of the economic crisis in Hungary. It also indicates that this average confidence score is favourable for the Hungarian institutional system as the 48 score value is not the mathematical average of extreme values but reflects the fact that the majority of institutions included in the questionnaire received moderately favourable judgements from the public at large and it was only a few institutions that received really unfavourable responses in terms of respondents' confidence. Of a total of 25 institutions listed in the questionnaire, only 10 were found where reliability was overall judged negatively by the population, whereas the majority of institutional actors were viewed positively.

²¹ Tóth, Gy. I (2009): *Bizalomhiány, normazavarok, igazságtalanságérzet és paternalizmus a magyar társadalom értékstruktúrájában.* (Lack of confidence, disturbed norms, perceived injustice and paternalism in the value structure of Hungarian society). TÁRKI, Budapest; Tamás Keller (2013): *Values.* TÁRKI, Budapest

²² Bakonyi, E. (2012): *Gazdasági intézmények iránti bizalom a válságban: Kísérlet a gazdasági bizalom tartalmának és működési mechanizmusának feltárására.* (Confidence in economic institutions during the crisis: An attempt to explore the content and operating mechanism of economic trust). *Kommunikáció, közvélemény, média, Issue 1–4*

Figure 5.



The most favourable reliability judgement was received generally by those institutions which were usually at a distance from political life and those which were closer to citizens' everyday matters and therefore familiarity, knowledge, experience and geographical proximity can also contribute to shaping a positive image in terms of confidence. Among the 25 institutions, SAO ranked 7th with an average score of 54, i.e. it was judged above average by respondents.

When comparing the survey results in 2005 and 2015, another relevant consideration has to be taken account. The economic crisis erupting in 2008 and its accompanying adverse economic and social processes as well as resounding public and political events in the second half of the 2000s influenced confidence placed in the State and public institutions. Therefore, when a particular institution is examined these unfavourable social implications must be taken into account and so a stagnating confidence index e.g. in the case of an organisation can be considered a positive result.

3.1 Results in figures (2005–2015)

The survey results indicate that within the average population there is a low percentage of those who have an in-depth knowledge

of SAO's mandate and operational framework. A significant part of the population – roughly two fifths – has a basically clear idea about the organisation's purpose and mission and knows that it is a financial audit body responsible for verifying the use of public assets and public funds.

Comparing the results of the two surveys, it can be seen that in the past 10 years the degree of familiarity with SAO did not change significantly. There has been a small decrease in the number of those who have heard about the organisation but are not aware of its activities. At the same time, the results also allow concluding that there has also been an increase in the number of those who have an in-depth knowledge of SAO's activity and legal status. Familiarity with SAO reports and knowledge about audit themes have also shown a rising trend in the period between the two surveys.

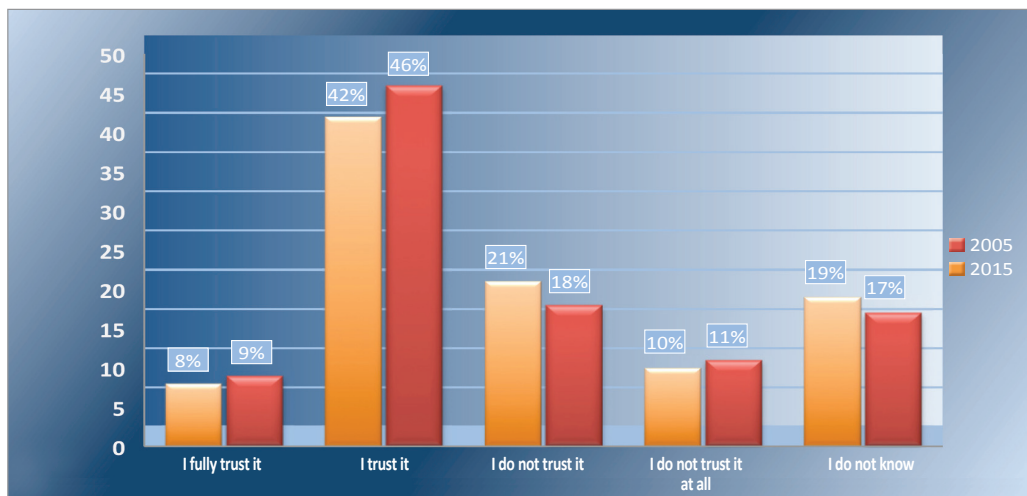
In respect of familiarity with SAO, there are significant socio-demographic differences within the population. SAO is better known among those with higher education and being economically active and also among the middle-aged population.

The population considers SAO's activity very important (on a scale of 100, the average value of their opinion is 77 scores). Its findings

Figure 6.

How much confidence do you have in the professionalism and well-foundedness of SAO's audit findings?

(as a percentage of respondents who have already heard of SAO)



are deemed to be professional (54 scores), while trust in its effectiveness stands at the medium level (48 scores). According to the results, whoever is more familiar with SAO activities has greater confidence in the organisation than those who judge its work on the strength of little or no information at all.

It can be demonstrated that in the past 10 years the population's confidence in the professionalism of SAO's work has improved, which may be linked to the increase in the percentage of people having more accurate knowledge about SAO.

3.2 Open Budget Survey (OBS)²³

The International Budget Partnership (IBP), an international organisation cooperating globally with non-governmental organisations, watches governments' budgetary procedures

and evaluates institutions and results. In its Open Budget Surveys (OBS) conducted every two years it also looks at how a particular country's supreme audit institution (state audit office) contributes to the transparency of the central budget and to what standard it performs its duties. Of the 140 questions in the OBS, about 15 is closely linked to mapping SAO efficiency and the International Organisation of Supreme Audit Institutions (INTOSAI) also participated in developing the survey's methodology.

The 2015 survey concluded that SAO performs its role appropriately—indeed, well, and the quality of the contents of SAO's opinion (report) on the budget somewhat surpasses the average of developed countries. Thereby, SAO (scoring between 80 and 100) falls within the same group in terms of quality as SAIs of countries like Sweden, Norway or the United Kingdom. Among the region's countries, Polish and Romanian SAIs have received high scores, too.

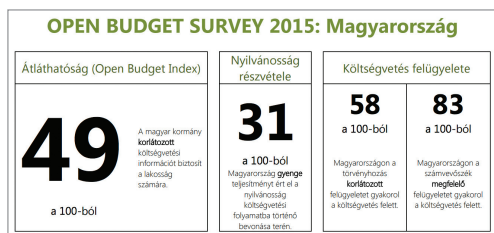
The survey provides evidence that SAO keeps an eye on budgetary processes²⁴; audits

²³ <http://internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>, downloaded: 10 September 2015

²⁴ Horváth, B.: "Az ÁSZ folyamatosan figyel a költségvetésre" (SAO continues to keep an eye on the budget). SAO News Portal, 10 September 2015 (<http://www.aszhiportal.hu/hu/hirek/az-asz-folyamatosan-figyel-a-koltsegvetesre>), downloaded: 10 September 2015

Figure 7.

OBS Summary on Hungary, 2015



Source: http://kfib.hu/uploads/OBS2015/OBS2015_magyar_oroszog-osszefoglalalo.pdf, downloaded: 10 September 2015

the execution of the previous years' budget (final accounts) annually in accordance with statutory provisions; and issues an opinion on the draft central budget for the next year. Besides, SAO – again under statutory provisions – supports “good governance” and the work of the Fiscal Council with analyses. All this is performed at a high standard even in international comparison.

3.3 Peer review²⁵

A peer review is a kind of performance evaluation framework that can be performed by other nations' supreme audit institutions in accordance with the recommendations of the International Organisation of Supreme Audit Institutions (INTOSAI). The process encompasses the evaluation of the operation, both within and outside the institution, of areas of activity selected by the given SAI. Its purpose is to carry out a comprehensive and comparative analysis of the effectiveness of SAO's work.

A peer review is not mandatory for any SAI; supreme audit institutions must voluntarily undertake to conduct such an assessment and submit to an examination performed by independent institutions against international standards. The contents, scope and methodology of the assessment can be determined by participating SAIs in

view of the aforementioned standards, whereon an agreement is concluded. As a result of the review, expert reports are prepared (self-assessment and review report and an action plan) that include findings, recommendations and proposals in respect of further improvements of the given area. The most important document of a peer review is a report which is issued by the institutions performing the review. In this respect, the audited SAI can prepare an action plan in consideration of the applicable international recommendations.

In order to further improve its quality-managed operation, SAO has decided, with a view to facilitating the renewal of its operation in a value-preserving manner, to have innovations, methodologies and results since 2010 assessed within the scope of a peer review by way of an international comparison.

The comprehensive assessment of the institution's communications took place between 30 May 2014 and 31 May 2016. The international project consisted of two parts and covered communications during the 5-year period 2010–2015.

As a first step, SAO assessed the period of the renewal of institutional communication on the basis of the INTOSAI Development Initiative's Performance Measurement Framework (IDI PMF). As a second step experts of the Polish and Lithuanian SAIs performed a peer review of the Hungarian State Audit Office on the basis of international provisions applicable to the transparent operation and accountability of supreme audit institutions. The peer review report was finalised on 12 May 2016.

During the process, the group performing the peer review gave a detailed analysis of SAO's activities completed in order to achieve objectives in the different communication areas. The working group emphasised the exceptionally high level of consciousness within SAO's entire organisation and also at the level of top man-

²⁵ External institutional communication regarding the publicity and utilisation of SAO reports and the peer review of the treatment of the organisations and institutions affected by our activities

agement, the directors and the staff responsible for communication, which indicates clearly that communication is an area of strategic importance and as such requires special tools, highly qualified staff and a high level of commitment. Particularly valuable are those findings of the report which refer to the increased effectiveness of SAO's work including communication towards audit institutions and social media and its recommendations concerning the format of reports.

The report concludes that SAO has built a professional and effective communication system consistent with its mission and strategy and also with the new SAO Act. SAO's partner institutions and the organisations affected by its activity have equally confirmed that the organisation implements its communication strategy in a manner that ensures the availability of necessary information on SAO and its procedures and contributes to improving the image of the institution as a transparently operating organisation.

Upon closure of the peer review process, SAO developed and approved an action plan which lays the foundation for the future directions of developing its institutional communication. At the focus of the action plan lies the higher level utilisation of SAO's activities and improvement of the effectiveness of communication directed at audit institutions.

4. CONCLUSIONS

– TRANSPARENCY AS A TOOL OF PREVENTION

There is no well-functioning and well governed state without transparency. The detailed presentation of the audit process and ensuring the ability to follow this process also bring additional benefits to SAO since transparency guarantees that the public at large becomes aware of its work. That is important as SAO cannot perform audits everywhere; therefore, users of public funds are welcome to adjust any bad practices they may have, seeing examples from the audits of others. Thus, transparency and communication multiply the power of SAO's reports, which greatly improves the effectiveness of its work whose transparency yields significant results also from the aspect of anti-corruption commitment; for, where everything happens publicly there will be no room for partiality and making exceptions.

SAO's communications have fundamentally renewed in recent years. The focus has shifted to social utilisation while communication has been raised to the strategic level. SAO has recognised the importance of conscious planning and also the potential in online communication. It has devised techniques that enable faster, more accurate and efficient access to stakeholders; delivery of messages; and receipt of feedback about the impact generated. Based on an accurate identification of stakeholders and levels of utilisation, SAO regularly measures, analyses and evaluates results and, on that basis, it determines the goals for the forthcoming period and identifies areas for further improvement.

Regular contact with the media and specialised journalists ensure that messages become clearer to understand within the scope of background discussions in addition to press conferences. That is because the media does not necessarily understand SAO's language and

methodology, whereas SAO is an office and therefore the utilisation of its work is also linked to a support from the public scene.

In order to ensure real transparency it is important to renew the format of reports. For each report, a brief non-technical summary is prepared for the lay reader and particular high-key reports are presented in a new format when published. A case in point is the report on the final accounts released in the past two years, which both last year and this year came out without annexes and consisted of hardly more than 100 pages, as opposed to earlier materials containing hundreds of pages.

Transparency and integrity – these are the two pillars based on which Hungarian public finances and the functioning of the Hungarian State can be renewed. In recent years, SAO has become a public institution operating in an outstandingly transparent manner and making a clear commitment to integrity, which can provide an example to follow for both Hungary's public administrative bodies and similar institutions across the world.

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NOTES



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