



Introduce Real Public Oversight of Political Parties!

Our main proposals:

- The authority of the State Audit Office needs to be strengthened and its personnel enlarged
- The parties receiving annual subsidies must be audited annually instead of the current biannual practice, along with the introduction of possible extraordinary audits
- The practice of notifying the parties one month prior to the audit should cease
- The SAO audit should be extended to party-affiliated businesses, party foundations and party youth organizations
- The jurisdiction of the SAO should be extended to include investigative powers
- The SAO should be able to seek legal redress directly by the courts in case of party managerial mismanagement and wrongdoing

There is no satisfactory monitoring or supervision of the political parties in Hungary. Theoretically, the State Audit Office of Hungary (SAO) – as the financial and audit organization of the Parliament – would perform the legality audit of the financial management of the political parties, in reality, however, the organ is not capable to carry out the task. The audit system does not need to be reorganized, as the institution's structure, set up in 1989, is entirely functional: the organisation is independent from the government, has an independent scope of activity and is subject to parliamentary supervision. In order to avoid any political influence, the current SAO and its auditors perceive their scope of activity with relatively narrow latitude, yet there is no real alternative organization to the SAO. APEH (The Hungarian Tax and Financial Control Administration) is always subordinate to the actual cabinet, and the National Electoral Committee, being primarily the highest-

level body of election supervision is not suited to carry out the supervision and evaluation of party financing either, for its members are party delegates.

New Methods for a Working Structure

The Act on the State Audit Office (The SAO Act) prescribes a two-third majority vote by the National Assembly for the election of the President and the Vice President of SAO, as well as to define the scope of activity and authority of the organization. The highest officials of SAO are elected for twelve years, an unusually long time in Hungarian standards of mandate periods, thus guaranteeing a greater degree of political and professional independence if compared with other high ranking public officials. The guarantees for a legitimate and independent organization are therefore in place, yet the structure needs to be reformed and extended. The SAO hence needs to have an enlarged administrative staff, as well as a more prepared one.

The SAO audit of political party financing is painstakingly slow at the moment, it is basically not more than a bookkeeping procedure. The biannually subsidized political parties should be audited annually instead of the current practice of the biannual audit, while also allowing for ad-hoc, immediate audits. The latter is still unknown, even if financial irregularities are made public, since the suspected fraud is only examined during routine audits. Finally, the practice of notifying the parties at least one month prior to the audit (regular, routine or extraordinary) must end.

Under current regulations, parties are to publish their annual accounts of the previous year by the end of April of the current fiscal year, and it is done without any SAO supervision and figures are published without any modification in the Hungarian Official Gazette. These reports – based on the ex-post evaluation of the SAO – are almost always wrong. The annual audit to be introduced would be even

more purposeful if the SAO was able to divide its task into two sub-stages: The first would consist of a rapid control in order to eliminate any chance of publishing potentially misleading financial accounts of the previous year, while the second stage would be a comprehensive audit that would scrutinize the annual accounts for the last financial year.

Enlarge the Circle of Audited Organizations

The SAO currently only supervises the accounts and expenditures of the party headquarters. The supervision however, should be applied to any business activity of the parties, the party foundations, as well as the parties' youth organizations, which are currently the primary vehicles for "outsourcing" campaign financing. In order to prevent these outsourcing practices, not only the supervision of the campaign account would fall under the SAO's investigative powers, but the reports should provide every detail (including the names and dates) pertaining to the unlawful party financing activities. In order to achieve this, it is necessary for the SAO to extend its scope of authority with new types of investigative powers. For the vetting and investigating of the campaign account, thus the finding of any potential irregularities it is essential for the audit organization to find out whether the financial contributors, donors and those receiving payments truly exist or are solely fictitious payees.

The SAO scope of sanctions should also be enlarged. That would mean for the SAO to seek legal remedy directly at the courts in case of any party activity that would constitute resource management infringement (currently, only the prosecution office has the authority to do so). In order to achieve an even greater degree of efficacy in their work, it would be sensible to give the auditors of SAO the right of initiative to publish the closing balance sheet of the parties and the correction of faulty balance sheets, as well as the right to dissolve political organizations in case

of non complying with such disclosure requirements. Finally, as a symbolic act, it is indispensable to give the SAO the right of imposing financial penalties on the president of a political party (or its registered representative) if it is found that the party had received banned contributions.