

# Strengthening integrity against corruption:

## The Integrity Project of the State Audit Office of Hungary

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**T**HE NETHERLANDS COURT of Audit's methodology to assess organizational integrity has become well-known; as a result, an increasing number of Supreme Audit Institutions (SAIs) agree with the following statement:

**“Strengthening organizational integrity is one of the most successful tools in preventing corruption.”**

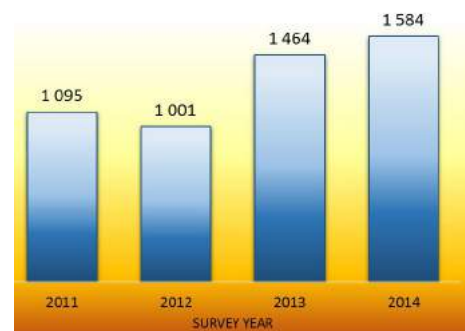
But how can agreement be turned from recognition into practice? How can an SAI help form a culture of integrity at organizations using public funds?

The State Audit Office of Hungary (SAO) was trying to answer these questions when it started the Integrity Project (Project) in 2009. As a result of the Project, in 2014 an integrity survey covering the entire Hungarian public sector was performed for the fourth time.

Based on our experiences, the survey carried out by the SAO is a successful way to introduce integrity culture. By sharing our experiences with the Project we would like to encourage other SAIs to launch similar initiatives at their own institutions.

### The Supreme Audit Institution as a catalyst

Striving to learn and adapt the best international practices, the SAO cooperated with the Netherlands Court of Audit to adapt the Dutch methodology of organizational integrity to Hungary's operations.



The most important innovation of the Hungarian adaptation is how corruption risks and integrity controls are evaluated: rather than relying on a self-assessment, Hungary utilizes a questionnaire sent by the SAO to thousands of institutions in the public sector.

The SAO performs an objective evaluation of these questionnaires based on a computer program, using a pre-fixed algorithm. Participation in the survey is voluntary for public organizations. The number of public entities acknowledging the importance of integrity is increasing, evidenced by a participation rate that is 44.6 percent higher in the latest survey than in the first one.

The number of staff employed by the 1,584 public organizations participating in the 2014 survey was more than 55 percent of the total staff employed in the Hungarian public sector. We believe this

## Main data of the Integrity Project

- Implementation period: 2009-2012
- Maintenance period: 2013-2017
- Funded by the European Union

## Main characteristics of the surveys

- Focus on corruption risks, and controls to decrease them
- Three indices
- Standard questionnaire
- 155 questions
- More than 6,000 budgetary institutions are asked to participate annually
- Voluntary response
- Detailed evaluation of survey results
- The index values are public

participation rate could not have been achieved without the initiator role of the SAO, which impelled more than half of the public sector to pay attention to corruption threats related to organizational integrity.

### Corruption risks have become measurable and visible

Corruption cases are mentioned frequently. However, the level of corruption in a given country or sector can only be broadly estimated. The SAO survey was not aiming to define exact levels of corruption, but did make corruption risks measurable and visible by calculating three indices.

The 155 questions of the questionnaire were classified according to the following three indices:

1. The **Inherent Vulnerability Index (IVI)** measures the corruption threats originating from the legal status and tasks of organizations.
2. The **Enhanced Factors Index (EFI)** indicates the components depending on the daily operation of the given organization and increasing inherent vulnerability.
3. The **Existence of Controls Index (EoCI)** reflects whether a given organization has set up, and is operating, institutional controls to handle risks.

The indices show the levels of corruption risks and controls of the organization as a percentage. Regarding risks, the higher value of the index means a higher number of risk factors in the organization. In terms of controls, a high value of the index shows the high number of control components.

Indices are calculated for each organization

participating in the survey, for 16 groups of organizations formed on the basis of their activities, and for organizations participating in the survey as a whole.

Indices calculated for participating organizations are published at the SAO's integrity website, and are shown on a digital map. This visualization of data enables Hungarian citizens to obtain information about local corruption threats, as well as the capability of affected organizations to handle those threats.

### The SAO is holding up a mirror to public institutions

In addition to using information from the questionnaire to inform the public, it is essential for each institution participating in the survey to be able to assess its own level of integrity as an organization.

To encourage this endeavor, the SAO strives to hold up a mirror to these institutions.

We do that by two methods.

First, on an annual basis we publish an evaluation report summarizing the results of the integrity survey. In this report we present the three index values calculated for the total number of respondents, as well as the indexes by various groups of institutions.

We also highlight trending risks, and analyze achievements in the establishment of integrity controls. As a result of the attention brought to these areas, we see a slow but steady development in the establishment of integrity controls.

There are groups of institutions and controls in which improvement is especially apparent. For example, our analyses have drawn attention to the importance of the »

# We are convinced that after adjusting the integrity survey to the circumstances of their respective countries and mandates, many SAIs could use it as a tool to effectively fight corruption.

so-called “soft” controls of integrity. As a result, we have measured noticeable improvement in cases involving related controls.

Second, we create analyses by various groups of institutions based on our annual assessments. Using these analyses, an institution such as a hospital can compare its results to those of other hospitals, and a school can compare the improvements they have made in developing integrity controls to those of other schools.

Such an analysis can be considered as a nearly perfect mirror—by looking into the findings of the analysis, the head of a hospital can investigate why the integrity controls most hospitals employ do not function properly in his or her institution.

## Connection between vulnerability to corruption and the establishment of integrity controls

Based on the data provided by the integrity survey, public institutions can be analysed using various methods and from various points of view. In order to demonstrate how this works, we will highlight one example.

In our analysis we are seeking answers for the following question: is there a connection between the level of vulnerability to corruption and the level of establishment of integrity controls?

In our summarizing study, we could answer that question on the level of institution types. We compared the index rates of the inherent vulnerability of certain types of institutions and the index rates of factors increasing exposure, to the index rates of controls aimed at restraining vulnerability in those types of institutions. Based on the index rates of the institution groups, we have drawn a linear trend line to be

used as the basis of comparison. The results are presented in figures 1 and 2.

The graph shows positive correlation between both of the indices of corruption vulnerability and the index measuring the level of establishment of integrity controls.

The graphs also show for each index which group of institutions is lagging behind according to the level of establishing controls, compared to the level of vulnerability.

**Those lagging behind include the groups of institutions where the bars representing the EoCI index do not reach the linear trend line of the EoCI index.** For example, in the case of vulnerability enhanced factors, the level of controls in institutions of higher education and health care are considerably lower than what the level of vulnerability would justify.

We made a note of those ministries affected by the deficiencies found at the level of groups of institutions; we also evaluated these as risk indicators while forming the audit plans of the SAO.

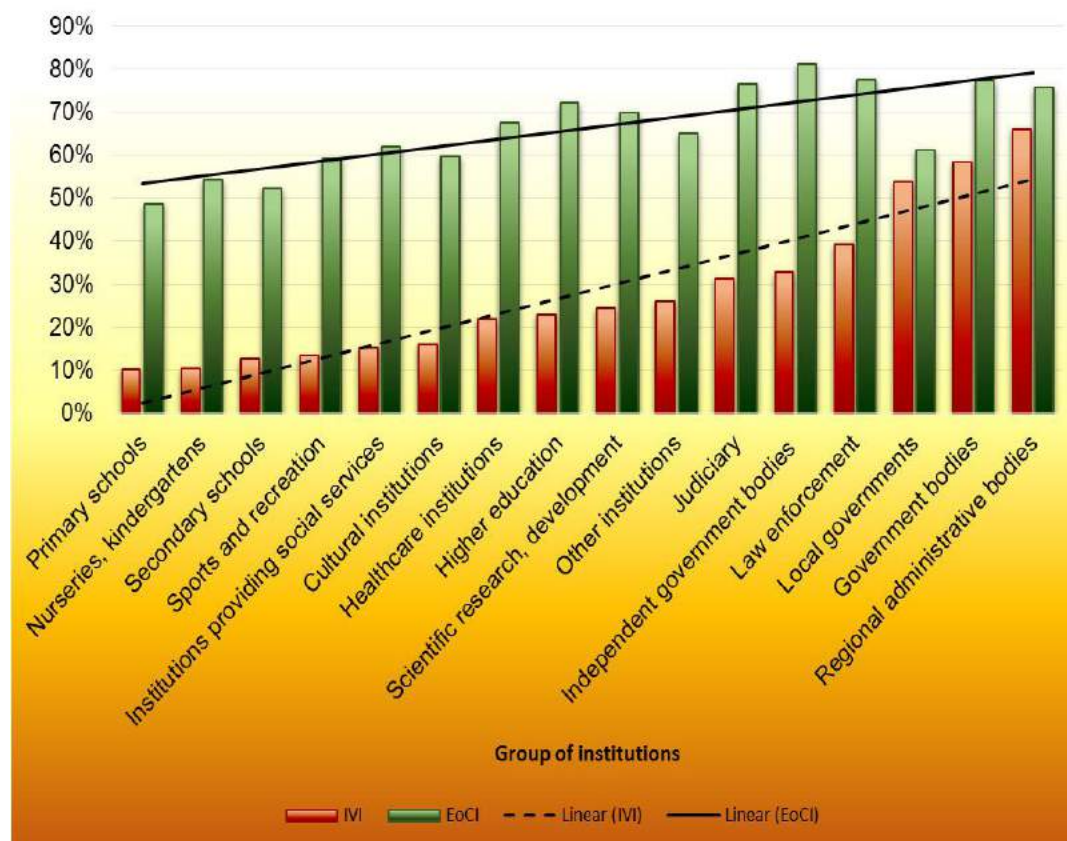
## Integration of the integrity survey results into the SAO's audits

The main activity of supreme audit institutions is auditing. So the question arises, what can be utilized from the integrity survey in the audit work of the State Audit Office?

Utilization is possible in different ways. The SAO selects its audit topics and areas based mainly on risk analysis. The results of the integrity survey provide a good basis for this, as they point out which groups of institutions and scopes of activity show the highest level of vulnerability.

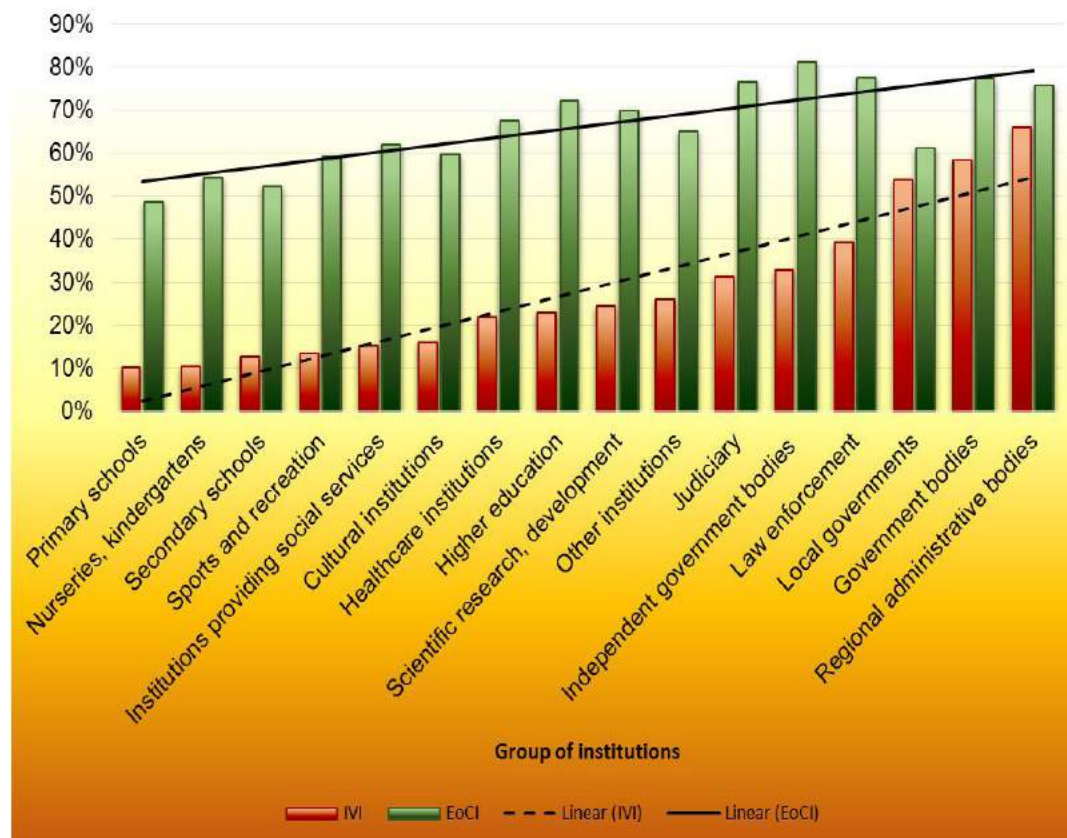
Another area for utilization is the development of audit methodology, as the survey »

**Figure 1 : Relation between IVI and EoCI (%)**



We compared the index rates of the inherent vulnerability of certain types of institutions (IVI), and the index rates of factors increasing exposure (EFI), to the index rates of controls (EoCI) aimed at restraining vulnerability in those types of institutions.

**Figure 2: Relation between EFI and EoCI (%)**



Based on the index rates of the institution groups, we have drawn a linear trend line to be used as the basis of comparison.

The results are presented in Figures 1 and 2.



Participants of the International Good Practices Seminar on Strengthening Integrity of the Public Sector.



allows us to incorporate groups of questions in our audit programs, using both issues raised in the integrity survey and responses provided. This way regularity audits can be more focused in their design.

We attempt not only to audit the “hard” controls required by law, but also to include the development of “soft” controls, as the latter play a significant role in whether a public institution is able to effectively serve the public good.

### Methodology of the integrity survey is public domain

The SAO has developed the methodology of the integrity survey with the professional contribution of the Netherlands Court of Audit and the financial support of the European Union. Therefore, we emphasize our commitment to share the methodology of this successful initiative. To this end, the SAO has created a special website, which is also available in English. On the website can be found:

- studies which present and summarize the annual survey results (both in Hungarian and English);
- integrity analyses by groups of institutions;

- additional issues related to data collection;
- related articles, news and interviews; and
- methodology and results of our integrity survey described in both bilateral and multilateral meetings.

Furthermore, the SAO organized seminars in 2014 and 2015. The objective of these international seminars is to bring the methodology and application of the integrity survey closer to the professionals of various SAIs, within the framework of knowledge-sharing.

The role of transparency in enhancing integrity was also added to topics covered at the 2015 seminar.

Naturally, the integrity survey elaborated by the SAO of Hungary cannot be used as-is by other countries. However, we are convinced that after adjusting the survey to the circumstances of their respective countries and mandates, many SAIs could use it effectively in their fight against corruption.

*To learn more about the Integrity Project, visit <https://hungarospa.hu/en/objectives-methodology-and-results-of-the-integrity-survey-2011-2013>*

**By sharing our experiences with the Project, we would like to encourage other SAIs to launch similar initiatives at their own institutions.**