



CASE REPORT ON ASSET DECLARATIONS

2023

Budapest, 7 December 2023

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Foreword by the President

Asset declarations are intended to increase transparency and accountability. By publicly disclosing their assets, public officials and other persons required to make declarations support the detection of possible conflicts of interest, corruption or prohibited activities. This will strengthen trust in governance and ensure that those in positions of influence act in the public interest.

When effectively implemented and enforced, asset declaration systems are deterrents, and allow for the monitoring of persons in positions of authority. However, its success is fundamentally dependent on the thoroughness of the disclosure process, the strength of the enforcement mechanisms and the commitment to transparency within the system.

"Asset declarations are intended to increase transparency and accountability. The effective functioning of asset declaration systems requires proper monitoring and accountability, consistent sanctioning, institutional support and the closing of legal loopholes.

As usual, the Authority carried out extensive international research for this report, and examined the domestic legislative and control environment in order to make valid statements and forward-looking recommendations that will promote effective control and help rebuild society's eroded trust in the system.

While **our international review** identified a number of good practices, even the foreign control organisations we examined experienced difficulties. In our report, we draw conclusions from these difficulties and outline recommendations that will help address the shortcomings in Hungary and ensure that the asset declaration system fulfils its original purpose of transparency and accountability.

In the **domestic context**, it can be stated that, as the Authority has previously demonstrated, **control over asset declarations is only nominal.** In the Authority's view, the domestic asset declaration system in its current form is outdated, does not function properly and does not achieve its statutory objectives.

We believe that **a single electronic declaration system for the registration, management and control of asset declarations is necessary to** allow for the **risk-based control** outlined and advocated by the Authority.

The Authority proposes that **the entire population subject to the declaration should be checked at least once during a certain period (but not more than every 4 years)**. With the right technical support and design, **this can now be done** almost automatically, with a minimal investment of human time.

In order to rebuild trust, it is also necessary for the control body to be independent (autonomous), and equipped with adequate resources, powers and capacity to fully control the declarations.

A system designed in this way minimises the possibility of error and the risk of incorrect/illegal human intervention, thereby helping to rebuild trust in the system.

Only those systems that are adequately supported in all their segments, be it technology, human and financial resources or legal powers, can work effectively and as intended.

This is why it is **essential to foster a culture in which those subject to asset declaration are willing to promote and advocate the above-mentioned goals of transparency and accountability. This culture must also be supported by the will to legislate.**

However, it should be borne in mind that the asset declaration system is just one of the tools used in the fight against corruption. **The Authority attaches the utmost importance to the harmonisation of the rules on asset declaration systems and stresses that the findings and recommendations of the report on asset declarations should be read as part of, and in conjunction with, an overall anti-corruption strategy and regulatory framework.**

Ferenc Pál Biró

President

List of abbreviations

ANI – Agenția Națională de Integritate (National Integrity Agency, Romania)

Commission – European Commission

ERA – Electronic Public Procurement System

Eufetv. – Act XXVII of 2022 on the control of the use of EU budgetary resources

EUPR – European Union Programmes Framework

Eutaftv. – Act XLIV of 2022 amending certain acts adopted at the request of the European Commission in order to ensure the successful conclusion of the procedure for the audit and conditionality of European grants

GRECO – Group of States against Corruption (Council of Europe)

Authority – Integrity Authority

HATVP – Haute Autorité pour la transparence de la vie publique (Transparency Authority for Public Life, France)

Infotv. – Act CXII of 2011 on the right to informational self-determination and freedom of information

IPL – Integrated Portal-based Query System for access to records managed by the Deputy State Secretariat for Records Management of the Ministry of the Interior

KPK – Komisija za preprečevanje korupcije (Commission for the Prevention of Corruption, Slovenia)

Mötv. – Act CLXXXIX of 2011 on local governments in Hungary

NAV – National Tax and Customs Administration

NAZK/НАЗК – Національне агентство з питань запобігання корупції (National Agency on Corruption Prevention, Ukraine)

NKS – National Anti-Corruption Strategy and Action Plan

NVSZ – National Defence Service

OCCR – National Company Register and Information System

OECD – Organisation for Economic Co-operation and Development

Ogytv. – Act XXXVI of 2012 on the National Assembly

UNODC – United Nations Office on Drugs and Crime

Vnytv. - Act CLII of 2007 on certain obligations related to asset declaration

1. Introduction

Background

The Integrity Authority (hereinafter referred to as the Authority) is an autonomous public administration body established on 4 November 2022 in accordance with Section 1(1) and Section 70(3) of Act XXVII of 2022 on the control of the use of European Union budgetary resources (hereinafter referred to as the Eufetv.). The objective of the Authority is to strengthen the process of prevention, detection and correction of fraud, conflict of interest and corruption in the implementation of EU financial assistance, as well as other related infringements and irregularities.

The Authority will act in all cases where it considers that a body responsible for the use or control of EU funds has failed to take the necessary steps to ensure sound financial management of the EU budget and to protect the financial interests of the European Union, or where there is a risk of such failure.

Applied methodology and limitations

The Authority will provide an overview of the regulatory framework and the functioning of the asset declaration system, including its scope and monitoring process, in its first Annual Analytical Integrity Report¹ (Section 74(1) of the Eufetv.) and in its ad hoc report to be presented by 31 December 2023 (Section 75 of the Eufetv.). These two reports provide a complete picture of the regulatory framework and functioning of the Authority in relation to asset declarations, as set out below:

- The Authority has published a descriptive analysis of the asset declaration systems in its Annual Analytical Integrity Report for 2022, which describes the development, operation, scope and control processes of the international and domestic regulatory framework, as well as recent amendments to domestic legislation.
- In this case report, the Authority identifies international good practices that should be transposed into the domestic context. On the basis of international examples and its own analysis, the Authority makes recommendations to ensure that the asset declaration system can effectively fulfil both its purpose and function, properly fulfil its social utility and contribute to the processes adopted to ensure public transparency.

In the course of its work, the Authority has compiled, reviewed and analysed the relevant information that was publicly available or made available to it as of 30

¹ https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas_Hatosag_Eves_Elemzo_Integritasjelentes_20220629.pdf

November 2023. In its analysis, the Authority has also taken into account its own previous reports, the 2022 Anti-Corruption Task Force Report and the 2023–2025 Supplementary Report on the National Anti-Corruption Strategy and Action Plan.

The recommendations presented in this case report are based solely on the cited publicly available information and on the practices of authorities in other countries. In order to gather information, interviews were conducted with relevant authorities in countries identified in studies published by the OECD, the World Bank and the Norwegian Christian Michelsen Institute U4 Corruption Research Institute as having good practices in this area (including Lithuania, Romania, France and Slovenia).

Structure of the report

The report presents the asset declaration systems in 3 chapters:

1. A review of changes in domestic and international legislation since the publication of the Analytical Integrity Report (29 June 2023).
2. A presentation of international good practices and, through them, recommendations in the areas of (i) the scope of declarants, (ii) the availability of declarations, (iii) the frequency of declarations, (iv) the content of declarations, (v) the way declarations are made, (vi) the monitoring of declarations and (vii) the sanctioning of violations.
3. A description of the Authority's own powers of control over asset declarations.

2. The presentation of domestic and international changes

Below we set out the changes in the national and international legal environment since the Authority's first Integrity Report (30 June 2023).

2.1 Domestic changes

The Ministry of Justice reiterated that further amendments will be made to the law on asset declaration systems, but the Authority have not received more accurate details on this, since, according to the information received, *"the negotiations on the development and representation of the Hungarian position in the EU rule of law procedures and mechanisms have not yet been concluded."*

The NKS for 2023–2025 had not yet been published at the time when the report was closed. Similarly, the Authority have not been informed by the Ministry of Justice of the final material adopted, for the reasons explained above. The Authority is concerned that the following action points relating to asset declaration schemes, which the Authority considered to be supportive and forward-looking in its previous Annual Integrity Report², have been removed from the last draft³ known to them:

- the possibility to fill in and manage asset declarations electronically in digital format throughout the public sector;
- the examination of the extension of the obligation to declare assets for certain key posts of senior officials in public bodies; and
- the revision of the system of penalties for non-compliance.

The Authority recommends that the Ministry of Justice consider the introduction of the above measures mentioned in the previous version.

2.2 International changes

Asset declaration systems are (continuously) being reviewed and amended not only in our country, but also in neighbouring countries and within the European Union.

² https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas_Hatosag_Eves_Elemzo_Integritasjelentes_20220629.pdf

³ <https://kemcs.hu/wp-content/uploads/2023/10/NKS-kiegeszito-jelentesre-adott-Kormanyzati-allaspont.pdf>

Currently, the following three documents constitute the applicable EU legislation on asset declaration systems:

- EU Convention of 26 May 1997 on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union;
- Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector; and
- Council Decision 2008/852/JHA of 24 October 2008 on a contact-point network against corruption.

At the same time, an EU anti-corruption package is being developed and implemented, as part of which the European Commission (hereinafter referred to as the 'Commission') has proposed a Directive on the fight against corruption⁴ on 3 May 2023. The new Directive, if adopted, will replace the 1997 Convention and the 2003 Council Framework Decision for those EU Member States that are bound by the new Directive. This proposed Directive will also cover the area of asset declarations, meaning that minimum standards will be (more) harmonised at EU level. The Commission's proposal seeks to modernise the EU anti-corruption framework, partly by setting out a series of binding preventive measures to be adopted by Member States. Examples include the adoption of effective rules (i) on the disclosure and management of conflicts of interest within the public sector; (ii) on the asset declaration by public officials and the related verifications; and (iii) on governing the relationship between the private and the public sector. The proposal would oblige member states to take measures such as organising information and awareness campaigns, as well as research and education programmes, or encouraging civil society and community-based organisations to participate in anti-corruption efforts. The definition of public officials under the proposal includes members of the EU institutions and persons holding legislative office at national, regional and local level, and these public officials should be subject to an obligation to declare assets.

According to the Hungarian legislation in force at the time when the report was closed, asset declarations are mandatory in the above areas.

In the next chapter, we look at the effectiveness of regulation.

⁴ Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on combating corruption, replacing Council Framework Decision 2003/568/JHA and the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union and amending Directive (EU) 2017/1371 of the European Parliament and of the Council

3. International comparative analysis of asset declaration systems

Asset disclosure by public officials is a tool used worldwide to fight corruption. However, there are substantial differences in the way it is regulated in different countries. These differences mainly concern the method of disclosure, the scope of the obligations, the content of the declarations, the method of control and the sanctions applied. The Authority has carried out an international comparative analysis along these lines. The international comparison was based on studies carried out by international organisations and on information received from competent authorities in other countries.

The asset declaration system can be a useful tool in the fight against corruption, but it must be designed and managed in the specific context of each particular country. In its analysis, the Authority identified international good practices, and reviewed and incorporated relevant, accessible international experience.

3.1 Who is required to make an asset declaration?

Risk classification of jobs

The definition of the scope of the obligated parties is essential for the design of the system. It is necessary to consider how far to extend the scope of those required to make asset declarations and what the threshold is above which a significant administrative burden is imposed on those concerned, with little added value. According to a study by the internationally recognised U4 anti-corruption think tank of the Norwegian Christian Michelsen Institute⁵, the scope of the reporting population should be defined not primarily by the grade or salary level of the declarant, but rather by the type of risk associated with the job, as declarants at the same grade or salary level are not necessarily exposed to the same degree of potentially compromising situations. The obligation to make asset declarations should extend to those who

- (i) have significant decision-making power and are therefore likely to find themselves in situations where their own financial interests may influence the decisions they make; or

⁵ U4 Anti-Corruption Resource Centre: Income and assets declarations: Issues to consider in developing a disclosure regime (2009)

- (ii) have discretionary powers to allocate significant sums of money, giving them the ability to profit from corrupt acts.

The higher risk category may include not only civil servants and public sector employees, but also, for example, senior managers of publicly owned companies, or persons involved in public procurement or tax and customs duties.

According to the information received from the Ministry of the Interior, the first corruption risk assessment in Hungary, aimed at public officials, was carried out in 2015 according to the action plan of the 2015–2016 National Anti-Corruption Programme⁶, involving public administration bodies. Subsequently, the mapping of positions and jobs with increased corruption and integrity risks was repeated in the framework of the medium-term NKS for 2020–2022. In addition, the NKS (4.1)⁷ for 2023–2025 will also include a risk classification, according to which *"on the basis of the methodological support of the Ministry of Interior, the ministries shall ensure the implementation of a job and position risk analysis for the entire staff of the public administration bodies under their control, by 30 November 2025 at the latest."*

According to the Ministry of the Interior, the survey is carried out for the jobs listed at a given point in time, using the online platform created by the NVSZ. The main purpose of the survey is to identify the targeted measures or controls that need to be developed to reduce the risks identified (e.g. asset declaration, various training, multiple-round selection, etc.). The results of the job risk analysis will be fed back to the organisations participating in the survey, and each organisation concerned will use the results of the survey as it sees fit. On the basis of the information received, the results of the previous surveys have not yet been used for conflict of interest and asset declaration controls, nor has a policy decision been taken to date.

The Authority considers the use of a regularly – but at least annually – reviewed and updated risk rating as a cornerstone of a well-functioning asset declaration system. This risk rating can be used (1) to determine the scope of those required to make asset declarations; (2) to determine the disclosure of declarations (see Chapter 3.2 for more details); and (3) to select targets for control (see Chapter 3.6 for more details).

⁶ https://tudasportal.uninke.hu/xmlui/bitstream/handle/20.500.12944/12829/639_Allamigazgatas_munkakorok_vegleges.pdf?sequence=1&isAllowed=y

⁷ <https://kemcs.hu/wp-content/uploads/2023/10/NKS-kiegeszito-jelentesre-adott-Kormanyzati-allaspont.pdf>

Obligation to make asset declarations for close relatives

In 2023, in order to strengthen the integrity, independence and accountability of the European Parliament, the European Parliamentary Research Service (EPRS) has carried out a comprehensive international comparative analysis⁸ on the use of asset declarations. According to this study, significant differences can be observed at the international level, depending on whether the obligation to make asset declarations only covers Members of Parliament of a given country, or also their spouse or partner and children living in the same household. In 15 Member States⁹, providing information on spouses or partners and other close relatives is not compulsory in principle. In 2 Member States¹⁰, only partners are required to make asset declarations, while in 9 Member States¹¹ (including Hungary), partners and children living in the same household must also be declared.

In certain countries (the Netherlands, Ireland and Lithuania), the practice already extends to close relatives who have an interest that may influence the declarant. This person with influence must be declared by the MEP.¹² The same applies to conflict of interest declarations, but in Lithuania, for example, officials are required to declare any close relatives (e.g. parents, grandparents, siblings) who may cause a conflict of interest.¹³

If the legislator decides to extend the scope of declarants, it is important, as mentioned in the U4 study, to provide for a gradual introduction (even by risk-based classification) to ensure that administrative support is continuously provided for the completion of returns.

⁸ Maria Diaz Crego, Members' Research Service, EPRS (May 2023): A comparative analysis of financial disclosure obligations on members of parliaments: Strengthening integrity, independence and accountability in the European Parliament

⁹ Belgium, the Czech Republic, Denmark, Germany, Estonia, Ireland, Spain, Latvia, Luxembourg, Malta, the Netherlands, Austria, Slovenia, Finland, Sweden and Spain

¹⁰ France, Poland

¹¹ Bulgaria, Croatia, Greece, Italy, Cyprus, Lithuania, Romania, Slovakia and Bulgaria

¹² Maria Diaz Crego, Members' Research Service, EPRS (May 2023): A comparative analysis of financial disclosure obligations on members of parliaments: Strengthening integrity, independence and accountability in the European Parliament

¹³ Based on the Chief Official's Ethics Commission online meeting with the Lithuanian authority on 28 November 2023

3.2 Disclosure of asset declarations (public / non-public) – Who is required to disclose their asset declaration?

According to a study by the European Parliamentary Research Service¹⁴, the asset declarations of MEPs from EU Member States are widely public in 19 Member States, including Hungary. It is only in a few Member States that MEPs' declarations are partially available, in extracted form (e.g. Belgium, France, Cyprus and Portugal) or only through specific procedures, such as specific access request and approval (e.g. Czech Republic, Estonia, France and Sweden). Under the current rules, there is no Member State where MEPs' declarations are not made public at all.

As described in our Annual Integrity Report¹⁵, Hungarian law distinguishes between mandatory (e.g. MEPs, certain senior political leaders), non-public (e.g. the majority of civil servants) and public (e.g. local government representatives) asset declarations based on the level of disclosure. While mandatory declarations are automatically made public on an annual basis, the data controller is only required to release public declarations upon request.

Although the asset declaration of local government representatives is public for reasons of public interest, Annex 1 (general publication list) of the Infotv.¹⁶ does not provide that the asset declaration of local government representatives should be published. In practice, however, many local authorities publish the assets declarations of their representatives. The asset declaration of local government representatives is kept and verified by the committee for the verification of asset declarations. It is noted that, under the current legislation¹⁷, the committee for the verification of asset declarations returns the asset declarations for the previous year to the municipal representative after the submission of the asset declarations for the current year. Judgment No. Pfv. 20.765/2020/11 of the Curia states that, in the case of a request for data in the public interest, the data controller is obliged to issue the asset declaration. This means that, if the committee for the verification of asset declarations returns the asset declaration to the municipal representative, the representative becomes the data controller and can therefore be requested to

¹⁴ Maria Diaz Crego, Members' Research Service, EPRS (May 2023): A comparative analysis of financial disclosure obligations on members of parliaments: Strengthening integrity, independence and accountability in the European Parliament

¹⁵ https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas_Hatosag_Eves_Elemzo_Integritasjelentes_20220629.pdf

¹⁶ Act CXII of 2011 on the right to informational self-determination and freedom of information

¹⁷ Section 39(3) Act CLXXXIX of 2011 on local governments in Hungary

disclose the asset declaration. In practice, this makes subsequent verification and comparison significantly more difficult.

In relation to the above, the Authority proposes the following:

- **the development of a common practice for the publication of asset declarations using a risk-based job classification** (see Chapter 3.5 for more details), **and**
- **a uniform retention period of at least five years for all declarants (including municipal representatives), which would ensure that retrospective checks could be carried out** (this would be automatic in the case of a uniform electronic declaration system; see Chapter 3.5 for more details).

According to a comparative analysis by the European Parliamentary Research Service¹⁸, access to sensitive personal data and information on close relatives is restricted in some countries (e.g. Bulgaria, Greece, Croatia, Latvia, Slovakia and Hungary) mainly on the grounds of (i) the right to privacy and the protection of personal data; and (ii) disclosure not justified by the public interest.

In Romania, for example, all public sector employees (in fact, anyone who receives a public salary) are obliged to declare their assets, which are published on the ANI website. Declarants can indicate if they do not wish to have certain personal data published, in which case they will be censored by ANI.¹⁹

The Authority agrees with the approach that the right to privacy and the protection of personal data may, in some cases, override the public interest in disclosure, and thus consideration should be given to extracting disclosures in a way that ensures the aforementioned rights, but does not lose the information content to the public. However, this limited accessibility should not apply to the dedicated body responsible for verifying the declarations, which should automatically have access to all data and all declarations, including those of relatives.

¹⁸ Maria Diaz Crego, Members' Research Service, EPRS (May 2023): A comparative analysis of financial disclosure obligations on members of parliaments: Strengthening integrity, independence and accountability in the European Parliament

¹⁹ Based on an online discussion with the ANI Romanian authority on 9 November 2023

3.3 Frequency of declaration – How often should assets be declared?

According to a comparative analysis by the European Parliamentary Research Service²⁰, asset declarations are typically made for the first time when a position is filled, which can be seen as a kind of opening declaration. This practice is the same in all Member States, only the timeframe available varies (e.g. from one week to three months). Subsequently, two practices have emerged in EU Member States, according to which an asset declaration is required either at certain intervals (Bulgaria, Ireland, Italy, Croatia, Lithuania, Austria, Romania and Finland) or in the event of major changes (Denmark, Germany, Spain, France, Luxembourg, Portugal, Slovenia, Sweden and Spain). The former is also applied in Hungary, e.g. MEPs are required to declare their assets annually, while the majority of civil servants are required to declare their assets every 1, 2 or 5 years.

The Authority considers the annual frequency of asset declarations to be appropriate, with the addition that the focus should be on changes, which should be highlighted and explained in order to provide adequate justification for the increase in assets. The introduction of a uniform electronic declaration system would facilitate the widespread extension of the annual declaration obligation to the entire public sector, and automatic completion through data links would also facilitate the declaration for the taxpayers. The single electronic system could even be used for reporting mid-year changes.

According to the comparative analysis of the European Parliamentary Research Service cited above, the last asset declaration is usually filed at the time of the termination or change of position (in this case, the opening declaration of the new position). This practice is applied by the majority of EU Member States (17 EU Member States, including Hungary).

The Authority proposes that the final asset declaration and liabilities for high-risk posts should automatically trigger a full control procedure, including, where appropriate, an enquiry into the accumulation of assets.

As the Authority has already shown in its previous reports²¹, wealth gain investigations are not applied in the context of corruption offences (Chapter XXVII

²⁰ Maria Diaz Crego, Members' Research Service, EPRS (May 2023): A comparative analysis of financial disclosure obligations on members of parliaments: Strengthening integrity, independence and accountability in the European Parliament

²¹ <https://integritashatosag.hu/publikaciok/jelentesek/>

of the Criminal Code), but only in certain exceptional cases.²² According to the NAV, a total of 20 individuals have been subject to a wealth gain investigation over a period of 2 years (between 2020 and 2022). As wealth gain investigations can be imposed in a relatively narrow range of cases under the current regulatory framework, their impact on the fight against corruption is limited for the time being.

In view of the above, the Authority proposes to extend the current scope of wealth gain investigations to cases of suspected corruption offences as per. Chapter XXVII of the Criminal Code.

3.4 Content of asset declarations – What should be included in the declaration?

According to a study by the U4 research institute²³, a sufficiently complete picture of the declarant can be obtained if, in addition to all their income from various sources, it is possible to identify their assets (real estate, movable property, financial assets, monetary and other receivables, investments, etc.), liabilities (loans, credits), positions held, activities performed (whether remunerated or not), as well as gifts and free benefits received. If the primary purpose of asset declarations is to identify conflict of interest situations, it is important to know the income and its sources, while knowledge about other elements of wealth described above is also necessary to uncover illicit wealth accumulation.

According to the U4 study, it is also advisable to include a section in the asset declaration form, where all "relevant interests" that influence the activities, work and decisions of the declarant should be indicated. According to a collection of international best practices compiled by EX ANTE Consulting Ltd. and HBH Strategy and Development Llc.²⁴, the Scottish legislation requires the disclosure of all factors, in addition to specific items of property, which may influence a MEP's decisions,

²² These cases are covered by Section 87(1) of Government Decree No. 465/2017 (XII. 28.) on the detailed rules of tax administration procedure (Tax Code), which states the following: If the state tax and customs authority determines that – only in case of suspicion by the investigating authority of a crime specified in Chapters XXXVI, XXXVIII, XXXIX, XL and XLI of Act C of 2012 on the Criminal Code – the taxpayer's increase in wealth or the amount of their living expenses is not proportionate to the taxpayer's total income, whether exempt, declared or not subject to the obligation to declare, but earned, the state tax and customs authority shall also estimate the taxable amount of the tax.

²³ U4 Anti-Corruption Resource Centre: Income and assets declarations: Issues to consider in developing a disclosure regime (2009)

²⁴ EX ANTE Consulting Office Ltd. and HBH Strategy and Development Ltd. (September 2022): International best practices, International benchmark analysis (prepared on behalf of the National Authority for Data Protection and Freedom of Information and in the framework of the KÖFOP-2.2.6-VEKOP-18-2019-00001 flagship project "Exploring local practices of freedom of information and increasing their effectiveness")

votes, speeches or actions in Parliament, such as (i) remuneration for activities outside the MEP's duties; (ii) property and other movable property; (iii) gifts, sponsorship and representational items; and (iv) visits abroad in connection with the MEP's occupation.

The Authority is also of the opinion that the declaration form should include, in addition to the closed (multiple-choice) questions, semi-open or open questions where the declarant is able and obliged to declare any other interests not listed.

The international outlook of the European Parliamentary Research Service confirms²⁵ that the content of asset declarations, in addition to income, broadly covers both the assets and liabilities of the debtor, which, in addition to identifying conflict of interest situations, also allows the identification of illicit wealth accumulation. However, there are countries (e.g. Denmark, Finland, Sweden, Ireland, the Netherlands, Germany, Luxembourg, the United Kingdom) where, mainly in order to reduce the administrative burden, the main focus is more on conflict of interest situations and thus on income, and the remuneration and other benefits received for investments and other outside activities are examined from this perspective.

Hungary is one of the countries where, in addition to income, the assets and liabilities of those required to make asset declarations must also be widely reported. As already explained in detail in the Authority's Annual Integrity Report²⁶, the content of the asset declarations varies for each individual taxpayer in Hungary. The main difference is in the declaration of income and real estate, as the mandatory asset declarations only include income bands and do not require the declaration of real estate for exclusive use, whereas in the public and non-public cases all real estate must be declared and an exact income figure must be given. Although Members of the European Parliament currently also use an income band, in its resolution of 15 December 2022 on suspicions of corruption from Qatar and the broader need for transparency and accountability in the European institutions, the European Parliament committed itself to ensuring that the exact amount of MEPs' perquisites is declared, instead of the current income bands provided for in Article 4(2) of the Code of Conduct.²⁷

²⁵ Maria Diaz Crego, Members' Research Service, EPRS (May 2023): A comparative analysis of financial disclosure obligations on members of parliaments: Strengthening integrity, independence and accountability in the European Parliament

²⁶ https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas_Hatosag_Eves_Elemzo_Integritasjelentes_20220629.pdf

²⁷ Maria Diaz Crego, Members' Research Service, EPRS (May 2023): A comparative analysis of financial disclosure obligations on members of parliaments: Strengthening integrity, independence and accountability in the European Parliament

In Hungary, the rules on the content of asset declarations are primarily regulated by Act XXXVI of 2012 on the Parliament (hereinafter: Ogytv.), Act CLII of 2007 on certain obligations related to asset declaration (hereinafter: Vnytv.), Act CLXXXIX of 2011 on local governments in Hungary (hereinafter: Möt.v.) and several sectoral acts. Basically, these Acts provide for three different types of asset declaration obligations for the obligated persons defined in the respective Acts.

In the Authority's view, the unification of the three registers with different contents should be considered in Hungary, noting that the current legislation (Ogytv., Vnytv. and Möt.v.) already provides for several priority topics in certain types of declaration, which, in the Authority's view, is the right move forward. Examples of such priority elements in the asset declaration include the exact definition of income, the listing of all real estate, as well as the inclusion of free benefits and gifts received. In addition, it is also recommended that all domestic and foreign interests and assets are declared, including interests which may have an influence on the declarant (e.g. outside activities).

3.5 Method of declaration (electronic / paper-based)

In 2019, the World Bank published a comprehensive analysis²⁸ on the good practices, benefits and difficulties of moving from paper-based declarations to electronic asset declaration systems. According to the study, the demand for electronic asset declaration systems is growing internationally, and a growing number of countries in Europe have digitised their asset declaration systems, including Croatia, Estonia, France, Latvia, Lithuania, Moldova, Serbia, Slovenia, Ukraine and others.

At present, Hungary still has a paper-based declaration system. Asset declarations are digitised after submission and published in searchable PDF format, mainly on the Parliament's website, only for MEPs and statutory senior political leaders. It is also possible to complete and submit asset declarations electronically, but this is not done in a dedicated electronic system and database.

According to the World Bank study mentioned above, electronic disclosure systems can vary considerably in terms of functionality, design, complexity and authentication methods. The study highlights, among other things, the following benefits associated with the introduction of electronic asset declaration systems:

²⁸ Kotlyar, D., Pop, L. (2019) E-filing Asset Declarations: Benefits and Challenges, Washington, United States, Stolen Asset Recovery Initiative

- **It simplifies and speeds up the process of asset declaration:** automatic pre-filling options built into the electronic form, the possibility to correct and complete the form afterwards, as well as the import (reload) and retrieval of data from the previous declaration will make the process more user-friendly. It will also make it easier to cover a wider range of declarants by reducing the administrative burden.
- **It improves the efficiency and security of data management:** by replacing the costly storage, processing and sorting of paper-based asset declarations, financial and human resources can be freed up and used for meaningful control. The use of electronic signatures or two-factor identification provides a high level of security, while the restriction and tracking of access to records ensures protection against unauthorised access to electronic systems.
- **More efficient analysis, control and enforcement:** thanks to built-in automatic checking and data validation, the number of errors in asset declarations is reduced. This means that control bodies no longer have to check for accidental errors and incomplete completions and blank fields, but instead can focus on substantive control, potentially intentional "errors", omissions and fraud. The filtering and search capabilities of the electronic system will help the ex-post analysis of asset declarations, so that the selection of declarations for verification will be done in a more targeted manner. Electronic declaration systems allow for information and communication between the control body and the declarant (e.g. notification of an control or possible changes to forms, reminder of an imminent deadline for filing a declaration).
- **Greater transparency and accountability:** all data is available in one place, electronically, making it possible to control the kind of data each right group can access (e.g. more limited public access to protect personal data).

The study also draws attention to possible prerequisites that should be considered before designing the electronic system, such as the establishment of an appropriate IT infrastructure and the associated meticulous legal, financial and IT planning. It is important to define in advance the objectives of the electronic asset declaration system (e.g. control role, automatic data links with other bodies, monitoring of conflict of interest situations in addition to asset declarations, support for asset recovery investigations, etc.), the appropriate data security requirements (e.g. how to register, how to provide personal data, etc.) and the necessary training.

In view of the above, the Authority supports the introduction of a single electronic asset declaration system with the following functionalities:

- **The whole range of persons required to make asset declarations must complete the uniform form via the electronic platform with a uniform frequency (when filling and leaving a position and annually while in the position).**
- **Supported by automatic pre-filling. The otherwise time-consuming, cumbersome and error-prone return filing process is facilitated and accelerated by automatic pre-filling, made possible by a direct data link to external databases. In this way, declarants only need to fill in missing data, and then check, correct where necessary and approve pre-filled data.**
- **All declarations will be automatically kept until the position for which the asset declaration is required is filled and the statute of limitations expires.**
- **A single, centralised and – as far as possible – automated (and depersonalised) control by a dedicated control organisation with unlimited access to all asset declarations.**
- **Ensuring a consistent and enforced verification methodology where (i) the risk classification of jobs and posts helps to ensure that the frequency and depth of verification of asset declarations is proportionate to the risk level of the positions concerned; (ii) a high-risk event (e.g. (ii) the occurrence of a high-risk event (e.g. opening, switching or closing a high-risk position) triggers an automatic control; (iii) direct data links play an important role not only in automatic completion, but also in automatic ex-post control; (iv) in the case of an unjustified discrepancy, the system signals the initiation of an automatic wealth gain investigation.**
- **By regulating access rights to the electronic system, the public can be granted an appropriate level and content of information (e.g. statements by close relatives can only be seen by the monitoring body).**
- **The electronic declaration system can handle asset declarations and conflict of interest declarations in a uniform way.**

Although with slightly different solutions, a similar electronic declaration system is used in the French, Romanian, Lithuanian and Ukrainian asset declaration systems:

In addition to the Ulysse declaration management system, the French control body (HATVP) has developed a software (Artemis) that automatically collects publicly available information on the debtor on a daily basis (e.g. on real estate, movable

property and other interests) and compares it with the data in the declarations submitted, thus checking whether the debtor has declared any major changes (in France, declarations are not made annually, but major changes must be declared on a case by case basis).²⁹

The ANI Romanian authority will introduce its single electronic system in 2021. According to ANI, a major advantage of the system is that, after the relatively lengthy registration and completion of the first declaration, the obligated parties can access their previous declarations, making the system significantly easier and faster to complete in the long run. Currently, the implementation of the Romanian system is still hampered by the delay in the uniform introduction of e-signatures. Therefore, for the time being, declarations completed electronically, and then printed, manually signed and scanned are still accepted, and therefore the content of the declarations is still checked, in part, manually.³⁰

In Lithuania, asset declarations are checked by the tax authority and conflict of interest declarations by the Seimas Chief Official Ethics Commission. For both electronic asset declarations and electronic conflict of interest declarations, declarations that are partially pre-filled with data received automatically from the various competent institutions are available. All that is required is for the debtor to review the information and complete the missing parts. The asset declarations include all information on the assets and income of each individual (from banks, credit institutions, insurance companies, pension funds, educational and scientific institutions, etc.)³¹.

One of the strengths of the Ukrainian NACC's electronic declaration system is that it is connected to 18 central databases via the API³² and, thanks to pre-programmed validation steps, the system automatically detects whether the declaration has been filled in with the correct data (approximately 1 million declarations are registered each year). Also, the system checks for discrepancies within the declaration, compares the declaration with the previous declaration and looks for red flags based on discrepancies, while comparing the data entered in the

²⁹ Kotlyar, D., Pop, L. (2019) E-filing Asset Declarations: Benefits and Challenges, Washington, United States, Stolen Asset Recovery Initiative

³⁰ Based on an online discussion with the ANI Romanian authority on 9 November 2023

³¹ Based on the Chief Official's Ethics Commission online meeting with the Lithuanian authority on 28 November 2023

³² Application Programming Interface. An API is an interface provided by a software component or system that allows other software to communicate with it, retrieve or modify data, or call functions.

declaration with external (or even public) data sources (e.g. property and business registers).³³

3.6 Controlling asset declarations

There are several aspects to consider when checking asset declarations. This subsection discusses the separation of organisational functions, the process of selection for verification and the methodology for carrying out the verification.

Establishing a control system

As the Authority has shown in its first Analytical Integrity Report³⁴, the practice of controlling asset declarations in Hungary is highly fragmented. At present, neither the NAV, nor the police, nor the prosecutor's office have the power to carry out automatic and centralised controls of asset declarations. Non-public asset declarations are handled, recorded and possibly controlled by the custodian (typically the employer). These tasks are carried out by the Committee on Immunities for MEPs and by the committee designated for this purpose in the rules of organisation and operation of local governments for local government representatives. In practice, this means that hundreds of "registration and control bodies" operate side by side, but independently of each other in Hungary.

According to a study by the U4 research institute³⁵, it is good practice to assign the management and control of asset declarations to separate organisations. The former includes answering questions about the completion and submission of declarations, as well as providing training and monitoring compliance with the obligations to file declarations (e.g. notifying those who have not filed by the deadline), while the latter includes monitoring the content of declarations and launching investigations.

The Authority proposes the designation of a dedicated central independent control body to carry out the control tasks related to asset declarations and supports the organisational separation of the above functions (management and control of declarations) and its implementation through an electronic declaration system. It also proposes the introduction of more detailed and

³³ Kotlyar, D., Pop, L. (2019) E-filing Asset Declarations: Benefits and Challenges, Washington, United States, Stolen Asset Recovery Initiative

³⁴ https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas_Hatosag_Eves_Elemzo_Integritasjelentes_20220629.pdf Page 150

³⁵ U4 Anti-Corruption Resource Centre: Income and assets declarations: Issues to consider in developing a disclosure regime (2009)

binding public procedural and enforcement rules, as more detailed procedural rules could also lead to more uniform jurisprudence (and deterrence).

Selection for control

As already explained in the Authority's Annual Integrity Report³⁶, in the case of non-public declarations of assets, the custodian may carry out a verification procedure (i) within one year of the termination of the legal relationship, position, job or function on which the declaration is based; or (ii) if there are reasonable grounds to believe, on the basis of a declaration, that the increase in assets cannot be justified. The custodian may, if deemed justified on the basis of the results of the control procedure, initiate a wealth gain investigation. In the case of asset declarations that must be disclosed, a wealth gain investigation may be initiated with the chairman of the Committee on Immunities or the designated body by means of a statement of facts specifying the part of the asset declaration in question and its content.

As there is no single central database (except for the wealth gain investigations) providing uniform data/information on the controls carried out, the failures detected and the sanctions imposed in relation to the asset declarations, the Authority was not able to ascertain the frequency with which, in practice, controls are carried out either based on a report or automatically within 1 year of the closure of the position concerned.

It is proposed to create a central database of asset declaration controls, which would ensure the traceability and comparability of controls. This could be easily achieved by implementing the electronic system described in Chapter 3.5, as the checks initiated in the electronic system can be automatically traced and retrieved.

A 2017 World Bank study³⁷ provides practical scenarios for the implementation of asset declaration control systems, suggesting that the following risk criteria should be considered and the following criteria should be applied for an effective selection for control:

- Randomly selected declarations (for example, a certain percentage of all declarations submitted);

³⁶ https://integritashatosag.hu/wp-content/uploads/2023/06/Integritas_Hatosag_Eves_Elemzo_Integritasjelentes_20220629.pdf

³⁷ Rossi, Ivana M., Laura Pop, and Tammar Berger. 2017 Getting the Full Picture on Public Officials: A How-To Guide for Effective Financial Disclosure, Stolen Asset Recovery (StAR) Series, Washington, DC: World Bank.

- Selecting declarations from officials in high-risk sectors (e.g. licensing, infrastructure, energy);
- Selection of declarations for high-risk positions (e.g. financial management, procurement, or decision preparation and decision making officials);
- Selection by hierarchy (selection of senior officials, e.g. heads of institutions, ministry officials, MEPs);
- Selections based on discrepancies / inconsistencies ("red flags") found (e.g. inconsistencies found in the form, significant discrepancies in declared assets or income);
- Referrals from other organisations (for example, irregularities detected by the tax authorities);
- Selection on the basis of a complaint or whistleblowing (for example, information received from the public about a position in a company or property that is not included in the declaration).
- Selection on the basis of media coverage (for example, a newspaper article showing a photograph of a castle that the declarant uses regularly but which is not included in the declaration).

Of these, according to the 2017 World Bank study cited above, the most commonly used selection criteria are complaints, red flags, as well as recommendations based on media appearances and made by other institutions. Less common criteria are the use of high-risk positions or a random selection system.

In the Authority's view, the above risk criteria should be combined and weighted differently for each employment group when designing the control methodology, as different risks may arise within each employment group.

The Authority, as it has repeatedly stressed, considers it important to apply a risk-based approach to the selection of controls, whereby more frequent, thorough and comprehensive checks should be carried out on the asset declarations of employees in high-risk jobs, sectors and institutions. This requires a risk classification of all public sector jobs.

At the same time, the Authority considers it essential that the entire population subject to the declaration is checked at least once during a certain period (4 years). This can be easily and quickly achieved with the electronic declaration system described in Chapter 3.5 and with appropriate technical support (e.g. automatic access to databases). It provides significantly higher security and a quasi-comprehensive approach, while reducing the need for human resources,

the potential for errors and the time needed for verification. A properly designed system reduces the potential for human intervention and helps to rebuild confidence in the control system.

According to the 2023 analysis of SELDI (Southeast Europe Leadership for Development and Integrity) entitled "Asset Declarations as a Corruption Prevention and Risk Assessment Instrument"³⁸, auditing bodies typically have limited capacity to carry out controls (staffing, access to data), which is why it is important to develop an appropriate selection system. According to the evaluation, asset declaration control systems should be based on randomly selected declarations (e.g. 5 or 10% of all declarations), declarations from high-risk groups and declarations selected on the basis of reports. For the latter, the protection of whistleblowers and the possibility of anonymous reporting should be ensured.

The OECD's 2023 Review of the Asset and Interest Declaration System in Malta³⁹ advocates the introduction of automated risk assessments, which will both help to rank, prioritise and limit the declarations that are subject to manual content analysis, and help to remove or limit the discretion to select for verification. The OECD report suggests the following:

- Using a risk-based approach to trigger and prioritise controls.
- The control body should focus on high-risk declarations where the number of statutory controls is significant. Such prioritisation should be transparent and based on clear criteria that limit discretionary rights and opportunities.
- External signals (e.g. negative media reports, complaints from citizens or NGOs, signals from other authorities) should be given priority, and substantiated anonymous reports should also be investigated.
- Automated risk analysis by an IT system should be performed on each declaration (e.g. comparing multiple declarations by the same declarant or declarations made by similar declarants). The use of analytical software helps to identify patterns and develop risk indicators (alerts or red flags) for future controls.
- The data in the declaration must be cross-checked with other central registers and databases. The system can automate such cross-checks and

³⁸ Daniela Mineva: Asset declarations as a corruption prevention and risk assessment instrument, 21 March 2023, Sofia (Iceland, Liechtenstein, Norway grants, SELDI.net, sar, CSD

³⁹ OECD (2023), "Review of the Asset and Interest Declaration System in Malta: Recommendations to improve collection and verification of asset and interest declarations for elected and appointed officials", OECD, Paris, [https://one.oecd.org/document/GOV/PGC/INT\(2023\)12/FINAL/en/pdf](https://one.oecd.org/document/GOV/PGC/INT(2023)12/FINAL/en/pdf)

perform them shortly after or even at the time of submission of the declaration.

The Authority considers these proposals to be forward-looking and recognises them as good practice.

Since all asset declarations are published in Romania, negative media reports and whistleblowing are key selection criteria used by the Romanian ANI.⁴⁰

A related strength of the Slovenian unified electronic system is that it performs both comprehensive checks and general compliance checks. If a failure or irregularity is identified, the results of the procedure are forwarded by the organisation to the public prosecutor's office. Comprehensive controls are ordered, as in Romania, on the basis of negative media reports and whistleblower reports, as well as for focus groups identified in the annual work plan. The selected statements are cross-checked with external databases, and a mid-year comparison is carried out. The Slovenian authority has access to all relevant databases. Upon request, they receive all information, including information classified as bank secret. In the near future, they will be able to access this information via direct automatic data link.⁴¹

Risk-based selection methodology

Specific examples of the risk-based approach advocated by the Authority are provided in the 2017 World Bank study cited above. The approach is based on the assumption that certain jobs, institutions and sectors expose the declarant to a higher risk of corruption or conflict of interest, and thus should be given more weight in the selection of declarations for verification:

- declarants with decision-making power in large public procurement tenders;
- declarants with responsibility for large transactions involving state assets and resources (such as contracts for the extraction and use of natural resources or privatisation);
- declarants working in institutions or departments carrying out control activities;
- Declarants with licensing and regulatory powers in strategic sectors such as banking, energy and telecoms;
- declarants holding a position that has been involved in a corruption offence in the past;

⁴⁰ Based on an online discussion with the ANI Romanian authority on 9 November 2023

⁴¹ Based on an online discussion with the Slovenian authorities on 10 November 2023

- sectors and positions classified as high risk on the basis of a country's own risk analysis.

The Authority considers that an effective control methodology should be tailored to each country, as the risk criteria to be applied in controls also vary from country to country. An important basis for the national control methodology could be the assessment of the risk of jobs and positions for the entire staff of public administrations, which will be included in the NCA for the years 2023–2025, with a deadline of 30 November 2025. In the Authority's view, this action should be prioritised in order to complete the assessment as soon as possible and to help develop the methodology for the control of asset declarations as soon as possible. It is also proposed to support and accelerate the risk assessment by electronic means, which could ensure that the results of the assessment are contained in a centralised electronic database, updated at regular intervals (maximum annually) or whenever changes occur.

Control methodology

The 2017 World Bank study cited above describes a wide range of control methods for asset declarations, as follows:

1. Controlling internal consistency within a declaration;
2. Comparison of the declarant's disclosures in different years;
3. Checking that the information declared (e.g. other activities and shareholdings) is compatible with the declarant's mandate and does not raise conflict of interest issues;
4. Checking against information held by other public bodies (e.g. land registers, tax authority databases, vehicle registers, company databases, etc.);
5. Control information held by private sector organisations (e.g. bank transactions and contracts);
6. Requesting clarifications or documents (such as invoices or contracts) from the declarant to complete the control;
7. Verification of the consistency between the information in the declaration and the declarant's standard of living by way of wealth gain investigations (e.g. on-site visits to the declarants' homes or other investigations).

The Authority supports the combined use of the above control methods.

One possible way to achieve this:

- the electronic declaration system automatically performs the checks under points 1–2 for all asset declarations;
- via direct data link, the electronic declaration system automatically carries out the simpler controls under points 3 to 5 on the entire declaration file, while the more complex controls are carried out on declarations selected for detailed verification during risk-based selection;
- the controls under points 6–7 are carried out on the declarations selected for detailed verification during risk-based selection.

The SELDI analysis⁴² mentioned above also addresses the need for data connections. As a first step, it proposes to identify the necessary national databases (1. registers of individuals, companies and real estate; 2. registers of taxes, customs, contributions, land, vehicles, securities, licences and courts; 3. registers of banks, public procurement and other public authorities), followed by the introduction of an electronic system to implement automatic controls and risk assessments and finally by the enforcement of international conventions to ensure the data exchanges necessary for the control of asset declarations.

The Authority recommends that the dedicated independent auditing body should verify the veracity of asset declarations using at least the following data connections:

- **NAV personal income tax and beneficial owner databases;**
- **Integrated Portal-based Query System (IPL) providing access to the records managed by the Deputy State Secretariat for Records Management of the Ministry of Interior;**
- **information service of the account-holding bank (securities account, savings account, financial institution account receivable, debts owed to financial institutions or individuals);**
- **civil status data to identify relatives;**
- **direct access from the Takarnet land register to all properties owned by the debtor;**
- **Company Register OCCR (National Company Register and Information System);**

⁴² Daniela Mineva: Asset declarations as a corruption prevention and risk assessment instrument, 21 March 2023, Sofia (Iceland, Liechtenstein, Norway grants, SELDI.net, sar, CSD

- **Prime Minister's Office EKR (Electronic Public Procurement System) public procurement database and EUPR (European Union Programmes Framework) database;**
- **Hungarian State Treasury Integrated Administration and Control System (IIER);**
- **insolvency records;**
- **Robocop integrated case management, case processing and electronic document management system and criminal records.**

The French authority (HATVP) has a direct data connection with the tax authorities for the purpose of controlling asset declarations, and thus has access to all the data necessary to establish the completeness and veracity of the declarations.⁴³ In its annual report 2022⁴⁴, HATVP proposed, among other things, to extend its powers to establish direct data connections with other entities (banks and financial institutions, insurance companies, government agencies, local authorities and any other public administration) for the purposes of its controls.

In the course of its inspections, the ANI Romanian authority is entitled to request any type of data and information from both public and private sector entities, including financial information from financial institutions, concerning transactions, bank accounts or loans. The future objective of ANI is the automatic access to such data through data connections, which could form the basis for the introduction of an automatic risk-based control system. In this context, the Ukrainian system already described above has been identified as a good practice.⁴⁵

3.7 System of sanctions related to the rules on asset declaration

The OECD⁴⁶ distinguishes between two main types of violations related to asset declarations, the first type being violations related to the obligation to declare assets (failure to declare or late filing) and the second type being information-related violations (incomplete filling, inadvertent or deliberate inclusion of false information). According to a joint World Bank/UNODC survey⁴⁷, the former is

⁴³ Based on an online discussion with the French HATVP authority on 1 December 2023

⁴⁴ High Authority For Transparency In Public Life (May 2023): Activity report 2022, Summary https://www.hatvp.fr/wordpress/wp-content/uploads/2023/05/EN-HATVP_SYNTHESE-2022.pdf

⁴⁵ Based on an online discussion with the ANI Romanian authority on 9 November 2023

⁴⁶ OECD (2011), Asset Declarations for Public Officials: A Tool to Prevent Corruption, OECD Publishing. <http://dx.doi.org/10.1787/9789264095281-en>

⁴⁷ Burdescu, R., G.J. Reid, S. Gilman and S. Trapnell (2009), Stolen Asset Recovery - Income and Asset Declarations: Tools and Trade-offs, The World Bank, the United Nations Office of Drugs and Crime.

sanctioned in more than 80% of countries with an asset declaration system, while the latter is sanctioned in 75%.

According to the previously cited 2017 World Bank study⁴⁸, dedicated control bodies have, in principle, three options if failures and infringements are detected: (i) to impose administrative sanctions in their own right based on control findings; (ii) to transmit the control findings to another competent institution for sanctioning and follow-up; or (iii) to send a notification to law enforcement authorities for further investigation or prosecution.

The United Nations Convention against Corruption states that the sanctions applied must be "appropriate", while GRECO and the Venice Commission⁴⁹ say that sanctions are appropriate if they have a sufficient deterrent effect. They advocate a combination of administrative and criminal sanctions, which uphold the principle of proportionality and ensure that minor infringements are punishable by disciplinary or administrative sanctions (e.g. warning, fine), while more serious infringements are punishable by criminal sanctions (e.g. disqualification from employment, imprisonment).

According to a study by the U4 research institute⁵⁰, if the regulation requires the declaration of the value of assets, it is appropriate to criminalise the understatement of the value of assets, as it is significantly easier to prove the inclusion of false information in the declaration than the possible underlying corruption offence, especially in the case of bribery.

A study by the European Parliamentary Research Service⁵¹ classifies EU Member States into three groups according to the type and level of sanctions applied:

- No sanctions, but the names of MEPs who do not comply with their obligation to make a declaration are made public as a means of naming and shaming (e.g. Denmark, Finland, Sweden).

⁴⁸ Rossi, Ivana M., Laura Pop, and Tammar Berger. 2017 *Getting the Full Picture on Public Officials: A How-To Guide for Effective Financial Disclosure, Stolen Asset Recovery (StAR) Series*, Washington, DC: World Bank.

⁴⁹ Ibid, pp. 22-23. Joint urgent opinion of the Venice Commission and the Directorate General of Human Rights and Rule of Law of the Council of Europe, on the draft Law amending provisions of the Code of Administrative offences and the Criminal Code regarding the liability of public officials for inaccurate asset declaration (No. 4651 of 27 January 2021), Ukraine

⁵⁰ U4 Anti-Corruption Resource Centre: *Income and assets declarations: Issues to consider in developing a disclosure regime* (2009)

⁵¹ Maria Diaz Crego, Members' Research Service, EPRS (May 2023): *A comparative analysis of financial disclosure obligations on members of parliaments: Strengthening integrity, independence and accountability in the European Parliament*

- Mainly administrative or disciplinary sanctions (e.g. Belgium, Czech Republic, Ireland, Spain, France, Croatia, Luxembourg, Netherlands); for example, in Germany, a warning can be issued for minor negligence (failure to meet a deadline), while in more serious cases, larger fines can be imposed (up to half the MEP's annual salary)
- Criminal sanctions in addition to administrative or disciplinary sanctions (e.g. Belgium, Greece, France, Lithuania, Portugal, Poland and Romania), for example, Article 26 of the French Act no. 2013-907 dated 11 October 2013 on transparency in public life provides for criminal sanctions (including three years of imprisonment and a fine of €45,000, disqualification from public matters and from holding public offices) if the defendant fails to submit a declaration or provides incorrect information.

For example, in its 2022 report⁵², the French inspection body HATVP proposed that, in order to make the sanction system more effective, it should be entitled to impose administrative fines for minor infringements (e.g. failure to submit a declaration). Under the current system, the HATVP is empowered to notify the public prosecutor's office, while the penalties are imposed in court proceedings. However, the length of court proceedings significantly reduces the effectiveness of the application of sanctions.⁵³

In contrast, the Romanian ANI authority, for example, can impose a fine of up to USD 400 directly on a defendant for failing to submit or complete a declaration.⁵⁴

In Hungary, under the current legislation, only those who fail to submit an asset declaration can be sanctioned directly. In general, depending on the type of asset declaration, sanctions may include (i) restriction of the rights of representation; (ii) termination of employment, prohibition from employment for 3 years and prohibition from holding any position, function, activity or position; and (iii) withholding remuneration. However, as currently there is no automatic control of the content and substance of the asset declarations, no substantive sanction can be applied to an official who may have provided false information.

As the Authority has stated in its previous report⁵⁵, it considers it important to further strengthen the legal sanctions for breaches of the obligation to declare

⁵² High Authority For Transparency In Public Life (May 2023): Activity report 2022, Summary https://www.hatvp.fr/wordpress/wp-content/uploads/2023/05/EN-HATVP_SYNTHESE-2022.pdf

⁵³ Based on an online discussion with the French HATVP authority on 1 December 2023

⁵⁴ Based on an online discussion with the ANI Romanian authority on 9 November 2023

⁵⁵ Integrity Authority: Integrity Risk Assessment Report of the Hungarian Public Procurement System, 2023

assets, in order to ensure that the sanctions applied are dissuasive, effective and proportionate.

The Authority recommends that the sanctions applied should be diversified and proportionate to the infringement, and that the legislation should specify the sanctions for failure to comply with the obligations relating to declarations, at least in the following cases: (i) failure to make a declaration, (ii) late compliance, (iii) incomplete declaration, (iv) false content.

The Authority proposes that the dedicated control body should be entitled to impose fines for minor infringements (e.g. late compliance, incomplete declaration or complete failure to submit a declaration), while major infringements (e.g. false content, failure to submit a declaration despite repeated requests) should be subject to legal proceedings.

4. The Authority's powers to verify asset declarations

The powers of the Authority in relation to asset declarations, as defined in the Hungarian legislation in force (Eufetv. and Act XLIV of 2022 amending certain acts adopted at the request of the European Commission in order to ensure the successful conclusion of the procedure for the control and conditionality of European grants (hereinafter: Eutaftv.), include the exercise of the following three types of powers:

1. The Authority has duties of custody, disclosure and management of the declarations of the Director General and Deputy Director General of the body auditing European grants under the Eutaftv.
2. Under the Eufetv. and the Eutaftv., the Authority has powers of control over the asset declaration of certain persons, which include:
 - the annual control of the declarations of the Director-General and Deputy Director-General of the body auditing the European grants, in accordance with the Eutaftv;
 - the control of the asset declaration of the persons defined in the Eufetv. which may be carried out in the performance of the Authority's duties, to the extent necessary for that purpose.
3. In addition to that, the Authority has the power to initiate proceedings under the Eufetv. and Eutaftv., whereby it can initiate proceedings under the Vnytv. (wealth gain investigation) against the employer concerned, and can initiate the termination of the employment of the Director General and Deputy Director General of the body auditing the European grants.

The Authority's external control powers in relation to asset declarations are unique in the Hungarian public law system; however, the Authority sees practical obstacles to the implementation of these powers due to the lack of appropriate legal mandates for their exercise.

Inspections of the asset declarations of the staff defined in the Eufetv., which may be carried out in the performance of the Authority's tasks, to the extent necessary for the performance of those tasks, and the initiation of procedures relating to asset declarations will be based on suspicions or external reports in the exercise of its investigative powers, in addition to the annual control of the asset declaration submitted by the Director General of the EUTAF.

The Authority does not yet have a well-established practice regarding the verification of asset declarations, but it can already be established that, for the Authority to be able to carry out its substantive tasks of controlling asset declarations, the minimum requirement is direct, automatic access to the databases listed in Chapter 3.6 on controlling asset declarations (including the sub-chapter on the methodology of controls). In order to gain access and receive all the data necessary for the conduct of its procedures via direct data connection, the Authority has initiated a consultation process, but such access was not made available to the Authority by the time when this report was closed.

5. Summary

In the absence of a control body that is trusted by society, the public has a particularly important role in the publication of asset declarations. In order to build trust, the monitoring body must have adequate resources, powers and capacity to fully monitor the disclosure of assets.

At the time of the emergence of asset declaration systems, the available technologies did not yet provide the automatic controls and the necessary data links, meaning that the public was the biggest deterrent to corruption and illicit wealth accumulation. **The technology is now available to carry out automatic, independent control.**

It is important to stress that, although there are several international recommendations in the area of asset declarations (e.g. OECD, World Bank), which have been presented in our report and which point in a similar direction, our analysis has not identified a system that works ideally in all aspects (e.g. resources, data connections, effectiveness of controls and sanctions applied, etc.). However, we have identified a number of good international practices and initiatives that contain one or more exemplary system elements, such as the Slovenian, French, Romanian and Ukrainian asset declaration systems, which are highlighted in our report.

As the Authority has stated in previous reports, it remains of the utmost importance to strengthen the system of control of asset declarations and to introduce a system of sanctions with adequate deterrent effect, applied consistently and meticulously, and proportionate to the failure to comply. In practice, the control of asset declarations only covers the fulfilment of the obligation to declare and does not automatically cover the content of the declaration.

In its 2022 Rule of Law Report on Hungary⁵⁶, the Commission criticised the insufficient supervision and lack of regular controls on asset declarations.

On this basis, the Authority has made a number of proposals to strengthen the asset declaration system, in particular in the area of control mentioned above. The most important of these are the **creation of a single electronic asset declaration system and database for declarations submitted by public sector workers, which would be automatically cross-checked by a dedicated independent control body via**

⁵⁶ 2022 Rule of Law Report, Country Chapter on the rule of law situation in Hungary, https://commission.europa.eu/system/files/2022-07/40_1_193993_coun_chap_hungary_en.pdf

direct data connection against public records and possibly against data from other entities (e.g. tax returns, property records, bank and insurance records, etc.) and, **in case of unsubstantiated/unjustified discrepancies, would trigger an automatic wealth gain investigation.** We also consider the **use of a risk-based approach to control** to be of key importance, since it would further enhance the effectiveness of the control system. The **occurrence of a risk event would automatically lead to a deeper substantive control**, which would ensure that the frequency and depth of the verification of asset declarations is proportionate to the risk level of the positions concerned. For this purpose, the assessment of the job and position risk classification of public administrations in the NCA for the years 2023–2025 could provide an appropriate input.

It should be noted that the provisions of the Eutaftv. and the Eufetv. also provide for certain tasks of the Authority in the area of asset declaration control, the effective performance of which requires the Authority to be able to obtain access to the relevant data (e.g. all bank, tax and insurance secrets and data subject to confidentiality protection) to the extent necessary for the conduct of these procedures via direct data connection between the body or organisation holding the data and the Authority. A proposal for an amendment to the law clarifying and, where necessary, extending the powers necessary for the performance of this task has been prepared by the Authority and submitted to the Ministry of Justice.

Annex 1: Summary of proposals

No.	Field	Shortcomings	Risk classification	Recommendations
1	Electronic declaration system	Currently, Hungary still operates a paper-based declaration system. Asset declarations are digitised after submission and published in searchable PDF format, mainly on the Parliament's website, only for MEPs and senior political leaders stipulated by the law. It is also possible to complete and submit asset declarations electronically, but this is not done in a dedicated electronic platform, system or database.	high	<p>The Authority proposes to develop an electronic declaration system for the entire public sector, where:</p> <ul style="list-style-type: none"> - The whole range of persons required to make a declaration must complete a uniform form via the electronic platform, with a uniform frequency (when filling and leaving a position, and annually as long as holding the position). - The otherwise time-consuming, cumbersome and error-prone declaration process is made easier and faster by automatic pre-filling, made possible by direct data connections to external databases. In this way, declarants only need to fill in missing data, and then check, correct where necessary and approve pre-filled data. - All declarations are automatically kept as long as the declarant holds the position for which the declaration is required and the statute of limitations expires. - A single, centralised and – as far as possible – automated (and depersonalised) control by a dedicated control organisation with unlimited access to all asset declarations. - Ensuring a consistent and enforced verification methodology where (i) the risk classification of jobs and posts helps to ensure that the frequency and depth of verification of asset declarations is proportionate to the risk level of the positions concerned; (ii) a high-risk event (e.g. opening, switching or closing a high-risk position) triggers an automatic

				<p>control; (iii) direct data links play an important role not only in automatic completion, but also in automatic ex-post control; (iv) in the case of an unjustified discrepancy, the system signals the initiation of an automatic wealth gain investigation.</p> <ul style="list-style-type: none"> - By regulating access rights to the electronic system, the public can be granted an appropriate level and content of information (e.g. statements by close relatives can only be seen by the monitoring body). - The electronic declaration system can handle asset declarations and conflict of interest declarations in a uniform way.
2	Sanctions	The sanctions for breaching the obligation to declare assets are not sufficiently dissuasive, effective and proportionate.	high	<p>The Authority proposes to further strengthen the legal sanctions for breaches of the obligation to declare assets, in order to ensure that the sanctions applied are dissuasive, effective and proportionate.</p> <p>The Authority recommends that the sanctions applied should be diversified and proportionate to the infringement, and that the legislation should specify the sanctions for failure to comply with the obligations relating to declarations, at least in the following cases: (i) failure to make a declaration, (ii) late compliance, (iii) incomplete declaration, (iv) false content.</p> <p>The Authority proposes that the dedicated control body should be entitled to impose fines for minor infringements (e.g. late compliance, incomplete declaration or complete failure to submit a declaration), while major infringements (e.g. false content, failure to submit a declaration despite repeated requests) should be subject to legal proceedings.</p>
3	Wealth gain investigation	In Hungary, wealth gain investigations are not applied in the context of corruption offences (Chapter XXVII of the Criminal Code), but only in certain exceptional cases. As wealth gain investigations can be imposed in a relatively narrow range of cases under the current regulatory framework, their impact on the fight against corruption is limited for the time being.	high	<p>The Authority proposes to extend the current scope of wealth gain investigations to cases of suspected corruption offences covered by Chapter XXVII of the Criminal Code.</p>

4	Control	<p>In Hungary, the practice of controlling asset declarations is highly fragmented. At present, neither the NAV, nor the police, nor the prosecutor's office have the power to carry out automatic and centralised controls on asset declarations.</p> <p>Non-public asset declarations are handled, recorded and possibly controlled by the custodian (typically the employer). In the case of MEPs, these tasks are carried out by the Committee on Immunities, while in the case of local government representatives, by the committee designated for this purpose in the rules of organisation and operation of local governments.</p> <p>In practice, this means that hundreds of "registration and control bodies" operate side by side, but independently of each other in Hungary.</p>	high	<p>The Authority proposes (i) the designation of dedicated central independent control body or bodies to carry out control tasks related to asset declarations and (ii) the organisational separation of the management and control functions of declarations. This can be easily implemented in the electronic declaration system as set out in Recommendation No 1, with the appropriate assignment of rights.</p>
5	Control	<p>In the current regulatory environment, there is no requirement to automatically compare asset declarations with external databases.</p>	high	<p>The Authority recommends that the dedicated monitoring body referred to in Recommendation No 4 should verify the content of asset declarations using at least the following data connections:</p> <ul style="list-style-type: none"> - NAV personal income tax and beneficial owner databases; - Integrated Portal-based Query System (IPL) providing access to the records managed by the Deputy State Secretariat for Records Management of the Ministry of Interior; - information service of the account-holding bank (securities account, savings account, financial institution account receivable, debts owed to financial institutions or individuals); - civil status data to identify relatives; - direct access from the Takarnet land register to all properties owned by the debtor; - Company Register OCCR (National Company Register and Information System); - Prime Minister's Office EKR (Electronic Public Procurement System) public procurement database and EUPR (European Union Programmes Framework) database;

				<ul style="list-style-type: none"> - Hungarian State Treasury Integrated Administration and Control System (IIER); - insolvency records; - Robocop integrated case management, case processing and electronic document management system and criminal records.
6	Risk classification	<p>According to the Ministry of the Interior, the first corruption risk survey of public officials in Hungary was conducted in 2015, involving public administration bodies. Subsequently, the mapping of positions and jobs with a high risk of corruption and integrity was repeated in the framework of the medium-term NCP 2020–2022. In addition, the NCP for 2023–2025 (4.1) also includes risk classification.</p> <p>On the basis of the information received, the results of previous surveys have not yet been used for controls of conflict of interest and asset declarations.</p>	high	<p>I. The Authority considers the use of a regularly – but at least annually – reviewed and updated risk rating as a cornerstone of a well-functioning asset declaration system. This risk rating may be used (1) to determine the scope of those required to make asset declarations; (2) to determine the disclosure of declarations; and (3) to select targets for control.</p> <p>II. The Authority considers that an effective control methodology should be tailored to each country, as the risk criteria to be applied in controls also vary from country to country. An important basis for the national control methodology could be the assessment of the risk of jobs and positions for the entire staff of public administrations, which will be included in the NCA for the years 2023–2025, with a deadline of 30 November 2025. In the Authority's view, this action should be prioritised in order to complete the assessment as soon as possible and to help develop the methodology for the control of asset declarations as soon as possible. It is also proposed to support and accelerate the risk assessment by electronic means, which could ensure that the results of the assessment are contained in a centralised electronic database, updated at regular intervals (maximum annually) or whenever changes occur.</p>
7	Control	<p>As there is no single central database (except for the enquiries on asset declarations) where uniform data/information on the checks carried out, the failures detected and the sanctions imposed in relation to asset declarations is available, the Authority not able to ascertain</p>	high	<p>I. The Authority proposes the creation of a central database for the control of asset declarations, which would ensure both the traceability and comparability of the checks. This can be easily achieved by implementing the electronic system described in</p>

		<p>(i) the frequency with which, in practice, controls are carried out either based on a report or automatically within 1 year of the closure of the position concerned, and,</p> <p>(ii) (ii) in the latter case, whether any risk-based approach is taken.</p>		<p>Recommendation No 2, as the checks initiated in the electronic system can be automatically traced and retrieved.</p> <p>II. The Authority proposes to apply a risk-based approach to the selection of controls, with more frequent and in-depth checks of the asset declarations of staff in high-risk jobs, sectors and institutions. This requires a risk classification of all public sector jobs (see Recommendation 6). In this context, the Authority proposes to use a combination of the following risk criteria, with different weights for each employment group, in the design of the control methodology, as different risks may arise within each employment group: (i) random selection; (ii) selection from high-risk sectors; (iii) selection from high-risk positions; (iv) selection by hierarchy; (v) selection based on identified discrepancies/inconsistencies ("red flags"); (vi) notification from another body; (vii) complaints; and (viii) media coverage.</p> <p>III. The Authority proposes that the entire population subject to the declaration should be checked at least once during a certain period (4 years). This can be easily and quickly achieved with the electronic declaration system presented in Recommendation No 1 and with appropriate technical support (e.g. automatic access to databases).</p> <p>IV. The Authority proposes that the final asset declaration and liabilities for high-risk posts should automatically trigger a full control procedure, including a wealth gain investigation.</p>
8	Control	Currently, there is no uniform methodology for controlling asset declarations, with controls being carried out at the discretion of the custodian, the Committee or other dedicated body.	high	The Authority also proposes to draft more detailed, binding public procedural and enforcement rules , as more detailed procedural rules could also lead to more uniform jurisprudence (and deterrence).

				II. The Authority proposes to harmonise the control methodology used in the controls and to apply a combination of the control methods described in Chapter 3.6 (including the sub-chapter on "Control methodology") .
9	The Authority's control duties	For the Authority to be able to carry out its control duties in relation to asset declarations effectively, it is necessary to ensure that the Authority has access to all relevant data. At present, this information is not available to the Authority, or only to a limited extent.	high	The Authority proposes that, to be able to carry out its duties related to declarations in a meaningful way, the Authority should be granted direct, automatic access to at least the databases listed in Chapter 3.6 on the control of asset declarations (including the sub-chapter on "Control methodology"). The Authority has drafted and submitted to the Ministry of Justice and the Ministry of European Affairs a proposal for a legislative amendment to clarify and, where necessary, extend the powers necessary for the performance of this task .
10	Publication	Although the asset declarations of local government representatives are classified as public information by the law, the Infotv. does not provide that the asset declarations of local government representatives must be made public. However, practice shows that the majority of local governments does publish these asset declarations.	medium	The Authority proposes to develop a common practice for the publication of asset declarations using a risk-based classification of jobs. This could be easily achieved by the introduction of an electronic asset declaration and liabilities system as set out in Recommendation No 1.
11	Declaration	The asset declaration of the members of the local government is kept and verified by the committee for the verification of asset declarations. Under the current rules, the committee for the verification of asset declarations returns the previous year's asset declaration to the representative after the asset declaration for that year has been submitted, from which point onwards the representative becomes the data controller and can be requested to make the declaration accessible. In practice, this makes ex-post verification and comparison significantly more difficult.	medium	The Authority proposes a uniform retention period of at least five years for all declarants (including local government representatives), which would ensure that retrospective controls can be carried out. This could easily be achieved by introducing the electronic asset declaration system as set out in Recommendation No 1.
12	Frequency of	As a general rule, the asset declaration must be made before the legal relationship giving rise to the obligation is	medium	The Authority advocates the introduction of a uniform annual requirement to make asset declarations , with the addition that the

	declarations	established or after it is terminated, and, in certain cases, it must be repeated every year, every two years or every five years as long as the legal relationship exists.		focus should be on changes and that these should be highlighted and explained in order to ensure that the increase in assets is properly substantiated. The introduction of a single electronic return system, as presented in Recommendation No 1, would facilitate the widespread extension of the annual obligation to make asset declarations to the entire public sector. Similarly, automatic completion through data connections would also facilitate the filing of declaration forms. The single electronic system could even be used for reporting mid-year changes.
13	Content	In Hungary, the content of asset declarations differs for each category of persons required to declare their assets. The main difference is in the declaration of income and real estate, as the mandatory asset declarations only include income bands and do not require the declaration of real estate for exclusive use, whereas in the public and non-public cases all real estate must be declared and an exact income figure must be given.	medium	In the Authority's view, the unification of the three registers with different contents should be considered in Hungary, noting that the current legislation (Ogytv., Vnytv. and Möt.v.) already provides for several priority topics in certain types of declaration, which, in the Authority's view, is the right move forward. Examples of such priority elements in the asset declaration include the exact definition of income, the listing of all real estate, as well as the inclusion of free benefits and gifts received. In addition, it is also recommended that all domestic and foreign interests and assets are declared , including interests which may have an influence on the declarant (e.g. outside activities).
14	Miscellaneous	The NKS for 2023–2025 had not yet been published at the time when the report was closed. The Authority has not received detailed information from the Ministry of Justice on the adopted final material, as "the negotiations on the development and representation of the Hungarian position in the EU rule of law procedures and mechanisms have not yet been concluded." The Authority is concerned that the following action points relating to asset declaration schemes, which the Authority considered to be supportive and forward-looking in its	medium	The Authority recommends that the Ministry of Justice should consider introducing the measures mentioned in the previous version of the NKS for the years 2023–2025.

		<p>previous Annual Integrity Report, have been removed from the last draft known to them:</p> <ul style="list-style-type: none"> - the possibility to fill in and manage asset declarations electronically in digital format throughout the public sector; - the examination of the extension of the obligation to declare assets for certain key posts of senior officials in public bodies; and - the revision of the system of penalties for non-compliance. 		
15	Publication	Asset declarations that must be published under the law are fully published mainly on Parliament's website.	low	The Authority agrees with the approach that the right to privacy and the protection of personal data may, in some cases, override the public interest in disclosure , and thus consideration should be given to extracting disclosures in a way that ensures the aforementioned rights, but does not lose the information content to the public. However, this limited accessibility should not apply to the dedicated body responsible for verifying the declarations, which should automatically have access to all data and all declarations, including those of relatives.
16	Content	At present, there is no single section in the asset declaration form where all "relevant interests" that influence the activities, work and decisions of the declarant must be declared.	low	The Authority proposes that the declaration form should include , in addition to the closed (multiple-choice) questions, semi-open or open questions where the declarant is able and obliged to declare any other interests not listed.

Annex 2: Summary of proposals in plain language

Main issues	Recommendations
Who should make an asset declaration?	The public sector as a whole, and any person with decision-making or authorising powers in the allocation or management of any resource/grant/public procurement/government property
How to make a declaration?	An electronic filing system is proposed, where officers can access their previous declarations and automatic completion (carried over from the previous year) helps to ensure correct content
When and how often should an asset declaration be submitted?	Uniformly by everybody when the position is assumed or terminated. An annual frequency is proposed, which could be easily extended with the introduction of an electronic system.
Whose declaration should be made public?	It is recommended to develop the scope of mandatory declarations based on the risk classification of jobs and to consider publishing extracted versions, to protect personal data. At the same time, all declarations should be made available to the dedicated supervisory body.
Should there be a difference between declarations?	No, everyone should fill in the same declaration form.
What should be included in the declaration?	All domestic and foreign assets and interests: all income, movable property, real estate, intangible property, gifts, investments, financial claims, liabilities, other positions and interests (including those without remuneration)
Who should control the declarations?	A dedicated control body with automatic access to all asset declarations
How should the control body perform the control?	We propose to implement automatic centralised depersonalised control via direct data connections.
How should the selection for the control be made?	A risk-based approach is needed to ensure that asset declarations related to high-risk positions are subject to more frequent and in-depth substantive control.
Should the failure be sanctioned and, if so, how?	We recommend the use of diversified sanctions, and the legislation should specify the sanctions for the specific cases of infringement, proportionate to the infringement.