

VOLUME I OF THE ROO
ORGANISATIONAL AND
OPERATIONAL PROCEDURES

I.16. Regulation on the rules for
the treatment of irregularities

At its meeting of 20 June 2016, the Senate supported the adoption of the regulation on the rules for the treatment of irregularities under resolution No. SZ-169/2015/2016 (20 April 2016).

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I. General part

1. § Purpose of the Regulation

(1) The Regulation on the Rules for the treatment of irregularities (hereinafter referred to as Regulation) aims to establish, comply with and enforce the detailed rules of procedure for the detection, investigation and treatment of deficiencies and irregularities in the operation of the Corvinus University of Budapest (hereinafter: CUB or University).

(2) The general objective of the treatment of irregularities is to restore the lawful situation in the event of infringements of the provisions laid down in the various laws and regulations, to correct errors, omissions, mistakes, to determine liability, to take effective measures at case or system level, thus contributing to the preventing and deterring further infringements.

(3) The main objective of the present Regulation is to ensure that the establishment of the fact of an irregularity and its handling and sanctioning can be carried out on the basis of the provisions by means of a uniform process control.

This regulation sets out:

- a) the definition of irregularity, its types and basic cases;
- b) the way in which irregularities are detected;
- c) the definition of the necessary procedure;
- d) the levels of responsibility for dealing with irregularities;
- e) the measures necessary to prevent irregularities;
- f) the follow-up of measures and procedures;
- g) the process for recording irregularities and measures, the persons responsible for them and the reporting obligation.

2. § Scope of the Regulation

(1) The personal scope of this Regulation applies to:

- a) the organisational units specified in the University's ROO;
- b) persons who are in a public servant or other relationship aimed at work with the University (in particular: lecturers, Professor Emeritus/Emerita, supervisors of doctoral schools, persons employed under student contracts);
- c) persons who have doctoral candidate status at the University;
- d) persons who have student status at the University;
- e) legal and non-legal entities having a civil law relationship with the University.

(2) The scope of the Regulation shall cover all the tasks carried out within the framework of the activities defined in the founding charter.

3. § Legal background to the Regulation

(1) Based on Government Decree 370/2011 (31 December) on the internal control system and on the internal audit of central public administration bodies issued pursuant to the relevant authorisation granted in Act CXCV of 2011 on Public Finances and the Internal Control Regulation adopted by the University Senate, the University defines the rules of procedure for handling irregularities as part of its internal control system.

(2) The basic legislation and applicable standards concerning the Regulation are:

- a) Act CXCV of 2011 on Public Finances;
- b) Act I of 2012 on the Labour Code;
- c) Act XXXIII of 1992 on the Legal Status of Public Servants;
- d) Act CCIV of 2011 on National Higher Education;
- e) Act V of 2013 on the Civil Code;
- f) Act C of 2012 on the Criminal Code;
- g) Act II of 2012 on minor offences, offence procedures and the registration system of offence;
- h) Government Decree 368/2011 on the Implementation of the Act on Public Finances;
- i) Government Decree No. 370/2011 (31 December) on the internal control system and internal audit of budgetary bodies;
- j) Internal Controls Manual;

II. Interpretative provisions

4. § The definition of irregularity, its types and base cases

(1) The definition of irregularity:

An irregularity is any deviation from an existing rule (law, decree, instruction, regulation etc.) that may occur in the course of the University's activities, in any area of its activities (e.g. omission, deficiency, etc.), whether or not the person applying the rule was aware of its existence.

(2) The types of irregularity according to the manner in which they are committed:

- a) Intentional irregularity: when committed knowingly, usually with the purpose of obtaining an advantage for oneself. This category includes, for example, fraud; embezzlement; intentionally caused undue payment; misrepresentation; bribery; forgery of public documents; misuse of powers; concealment of a conflict of interest, etc;

- b) Negligent (unintentional) irregularity: when committed by a person covered by this Regulation by accident, oversight or in the course of a task performed in a negligent manner, and which causes a delay or error.¹

(3) The types of irregularity according to the manner in which they are committed:

- a) one-off;
- b) repeated;
- c) regular (irregularity committed at least 3 times).

(4) Main causes of irregularities:

- a) Organisational deficiencies: inadequate, unclear regulations; procedures, controls, inadequate preparation of colleagues to carry out their duties;
- b) Personal factors: lack of preparation, lack of knowledge of internal rules, lack of experience, low recognition, lack of motivation, inadvertence, etc.;

(5) Characteristics of the irregularity according to its consequences

- a) Whether the effect of the irregularity was direct damage;
- b) Whether the unintended consequences of the irregularity could be corrected afterwards.

III. Detailed rules for dealing with irregularities

5. § Prevention of irregularities

(1) Employment requirements:

- a) Only persons with the professional qualifications and expertise required to perform a function or job may be employed in the given function or job. Employees are required to become aware of the rules governing their functions and duties and to attend the mandatory training sessions, and to carry out the tasks set out in their job description or assigned by the employer in accordance with the law.
- b) The job descriptions are drawn up by the direct supervisor and approved by the person exercising the power of appointment in accordance with the established order.
- c) Acknowledgement of the job description by the person concerned must be documented.

(2) Control activities - regulatory environment:

- a) In order to prevent irregularities, the University's processes must be clearly regulated through various internal management tools.

¹ The terms shall be interpreted in accordance with the Civil Code, Act XXXIII of 1992 on the Status of Public Servants, the Labour Code and related legislation.

- b) The draft internal regulations shall be subject to prior consultation with the stakeholders in accordance with the University's Rules of Organisation and Operation of the University (ROO), in the Faculty Council, which ensures staff and student representation, and in the meetings of the Decision Preparation Body of the Senate (DPBS).
- c) The organisational unit responsible for the preparation and maintenance of the regulations shall be defined by the Rector and/or the Chancellor in the form of instructions, and its head shall be responsible for ensuring that the regulations are up-to-date in accordance with the legal environment and harmonised with the University regulations.

(3) Raising awareness and publication of regulatory documents:

- a) The updated version of the ROO, other regulations issued by the Senate, the Rector's and Chancellor's instructions must be posted on the internal IT network. The Administrative Directorate is responsible for such posting.
- b) The person issuing a circular is responsible for delivering its contents to each organisational unit concerned. The heads of organisational unit are responsible for the wider dissemination of the circulars.
- c) With regard to other instruments of management (verbal and written instructions, procedures, technologies, etc.), the heads of organisational unit must establish rules of procedure whereby those subject to implementation can be verifiably made aware of their content and the expected behaviour.
- d) The regulations, instructions and circulars published on the university website, the university mail system are directly applicable from the effective date set out in the provisions on entry into force, and unawareness of them cannot be invoked by persons in employment.

(4) Internal Audit:

- a) Internal Audit is responsible for reducing the occurrence of irregularities by examining and evaluating the adequacy and effectiveness of the internal control system. This applies in particular to those activities and operational areas of the budget body where the risk of irregularities is high. Preventing these consists of carrying out tasks that eliminate the possibility of the irregularity being committed or limit the damage caused.
- b) Internal control plays a crucial role in identifying signs of irregularity.
- c) The internal auditors of the budgetary authorities should pay particular attention to the signs of fraud within irregularities.
- d) The organisation's internal auditors must have the knowledge to spot the signs of irregularities and fraud.
- e) Internal control helps to reduce the risk of fraud and irregularities by assessing the proper functioning and effectiveness of control systems and by assessing the extent to which such effectiveness is consistent with the organisation's activities and the potential risk necessary to achieve its objectives and operate its systems properly.

- f) To prevent fraud and irregularities, the most important thing is to establish and operate an effective and efficient internal control system, the primary responsibility for which lies with the heads of the organisational units.
- g) If, during his/her examination, the head of internal audit detects a suspicion of a serious deficiency that may indicate the existence of a risk of significant negative impact, he/she should immediately initiate the necessary action with the process owner and inform the head of the budgetary authority without delay. In the latter case, he/she cannot wait until the internal audit report or its draft is ready. In the event of a suspected serious deficiency, internal auditors should immediately draw up a record.²

(5) The heads of the organisational units shall be responsible for ensuring compliance with the rules and preventing irregularities from occurring. To this end, they have a fundamental obligation to:

- a) make sure that the staff of the organisational unit are familiar with the legislation and regulations applicable to the area concerned,
- b) ensure the necessary degree and level of regulation within the organisational unit and monitor compliance with the rules,
- c) take sufficiently effective and proportionate action as quickly as possible to correct the irregularity and restore proper functioning when an irregularity is detected,
- d) make sure that liability is established and the necessary measures are taken to put an end to the improper application of the rules.

(6) The general objective of the measures relating to irregularities is to:

- a) provide a framework to ensure that, in the event of non-compliance with the rules, the proper status is restored; errors, deficiencies, omissions, mistakes are corrected, responsibility is established and action is taken,
- b) contribute to the prevention of breaches of the rules laid down in the various laws and regulations and the prevention of irregularities (prevention).

6. § Detection of irregularities

(1) Irregularities may be detected in the internal control system or during an external audit.

(2) Detection of irregularities within the internal control system:

- a) by a person employed by the university who has committed the irregularity: in this case, the person concerned or the person who has detected the irregularity must contact his/her direct supervisor, in writing

² Ministry of National Economy - Internal Audit Manual 2013

or orally, and the verbal report must also be recorded in writing, in which case the irregularity may be treated as a fact;

- b) in the FEUVE system, by persons employed by the university who are involved in a process due to irregularities committed by persons working at a previous stage of the process as well as persons who have a monitoring role at the process interfaces. The person concerned must provide information in writing to the process owner, or, if the latter personally involved, to the process owner's supervisor. In this case, irregularity is only suspected at the time of detection, and may become substantiated during the subsequent investigation;
- c) by internal audit;
- d) by external audit.

(3) The written report of the detected irregularity (Annex 1) shall include:

- a) the fact and exact content of the irregularity;
- b) deviation from the rules, classification of the irregularity;
- c) name of the organisational unit affected by the irregularity;
- d) perpetrator of the irregularity (if known);
- e) the place and date of occurrence;
- f) the part of the process or activity affected by the irregularity;
- g) the circumstances of the detection;
- h) the identity and function of the person detecting the irregularity (where a whistleblower protection procedure is in place, the whistleblower must be informed of this, and information about the person must be provided only with his or her consent);
- i) the circumstances and factors that led to the irregularity [whether there are any mitigating circumstances (e.g.: the delay was caused by an unforeseen or unavoidable obstacle, the incorrect accounting was caused by an IT error, etc.)];
- j) the impact of the irregularity on the University's activities;
- k) the fact that the irregularity can or cannot be corrected;
- l) measures or proposals for terminating the irregularity;
- m) the addressee of the document recorded and the date of transmission.

(4) If a member of the staff of an organisational unit detects the irregularity, he/she shall immediately inform the head of the organisational unit. If the head of the organisational unit is concerned, the person exercising the power of appointment or, if he/she is also concerned, the Rector and/or only the Chancellor, or, if the latter are concerned, the Ministry of Human Capacities, must be notified of the irregularity by the person who detected it.

(5) In the case where the irregularity is not detected during the FEUVE, it shall be examined:

- a) why the audit did not detect the deficiency;

- b) what allowed the irregularity to occur.

(6) In the case where the FEUVE system has detected the irregularity or the factors which allowed it to occur, it shall be examined why the head of the organisational unit concerned did not take the necessary measures to prevent the irregularity and to reduce its harmful consequences;

- a) if the executive has taken the necessary measures, why they have not had the desired effect;
- b) whether an earlier investigation had taken place which should have detected the irregularity.

(7) If an irregularity is detected by an external audit body, its findings shall be included in the audit report. In the event of a suspected act, omission or deficiency which gives rise to criminal, infringement, compensation or disciplinary procedures, the audit body shall act in accordance with the law or regulation governing its operation.

7. § Launching the procedure for investigating irregularities

(1) Following the detection and reporting of an irregularity, the Rector and/or the Chancellor shall decide jointly or the Chancellor shall decide independently on the investigation of the irregularity falling within his/her competence, on the form of the investigation, on the use of an expert if necessary, and, in the lack of powers or competence, on the delivery of the proposal for the investigation of the suspected irregularity and the related documents to the body entitled to investigate it. If reporting an irregularity requires the establishment of an independent committee, the Rector and the Chancellor of the University shall determine its composition.

(2) The person reporting an irregularity shall not be subject to any adverse treatment in this context and shall not be held liable for his/her report, except for a report made with intentionally false content.

(3) The maximum duration of an irregularity investigation shall be 30 days. If this time limit proves to be insufficient, the investigator must report this fact to the competent executive, stating the reason and the proposed time limit. Only the Rector and/or the Chancellor may grant extensions.

(4) The resolution on the investigation of the irregularity may be one of the following:

- a) a finding that no irregularity has occurred;
- b) the termination of an irregularity procedure without action (e.g. wrong detection, minor irregularity, etc.);
- c) a decision establishing the existence of an irregularity and ordering action;
- d) the ordering of further investigation, which usually occurs when the information available is insufficient to determine responsibility and/or the measures to be taken to prevent similar cases after the irregularity has been established.

(5) The investigators shall propose measures to avoid similar irregularities. The Rector and/or the Chancellor may order the implementation of the proposals.

(6) In the event of irregularities or damages committed by the employees of the University, the person who caused the damage shall compensate the damage caused. The Rector and/or the Chancellor may, where appropriate, on the basis of a proposal from the head of the operative concerned, reduce the compensation payable after considering all the conditions and circumstances, within the limits of the legislation in force. The exceptions to this discretion are acts that give rise to criminal proceedings (in which case the procedure must be initiated) and irregularities of major importance, as in these cases the compensation liability cannot be reduced.³

(7) The following sanctioning options are available to the Rector and/or Chancellor: compensation procedure, misdemeanour proceedings, further suspension of financial benefits, unless otherwise provided for in internal regulations.

8. § Monitoring measures, procedures

(1) The Chancellor shall be responsible for following up irregularity procedures on the basis of the reports of the organisational units, including:

- a) monitoring the status of investigations ordered, decisions taken and procedures initiated;
- b) monitoring the implementation of the recommendations made him/her and during the investigations;
- c) assessing the risk of further irregularities based on the type of irregularity detected, providing information to internal audit, facilitating its ongoing audits and increasing its visibility of events affecting the control environment and management processes;
- d) assessing the impact and effectiveness of the measures taken.

(2) If the follow-up reveals that the measures taken are not sufficiently effective and efficient, the head of the organisational unit affected by the irregularity shall be requested in writing to take further appropriate measures.

(3) In the event of the persistence of the irregularity, a new measure shall be taken, or the identification of the person responsible for the omitted measure, the imposition of liability and the sanctioning of the irregularity shall be initiated. No further action is required if the irregularity is properly corrected.

³Act CXCIV of 2011 on Public Finances;

Act I of 2012 on the Labour Code;

2013. act V of 2006 on the Civil Code;

Act C of 2012 on the Criminal Code;

Act II of 2012 Act II of 2012 on minor offences, offence procedures and the registration system of offence;

Act V of 2013 on the Civil Code;

1992. act XXXIII of 2007 on the Legal Status of Public Servants;

Government Decree No. 368/2011 (31 December) on the implementation of the Act on public finances;

Government Decree No. 370/2011 (31 December) on the internal control system and internal audit of budgetary bodies;

9. § Recording measures

(1) The Chancellor of the University shall designate a person responsible for the registration of irregularity procedures. This person shall:

- a) ensure that the documentation of irregularities is kept up-to-date and accurate;
- b) ensure that the relevant written documents are entered in a separate register of irregularities;
- c) keep a record of the measures taken and the deadlines for taking them.

(2) The records shall be made available to the internal audit unit on request, as they provide useful information for the risk analysis necessary for the preparation of the internal control plan.

10. § Reporting obligation

(1) An annual audit report shall be prepared taking into account the methodological guidance published by the Minister responsible for public finances.

(2) The annual audit report shall include:

- a) a description of the internal audit activity (as provided for in the internal audit manual);
- b) evaluation of the functioning of the internal control system (regularity, economy, efficiency and effectiveness)
- c) implementation of the action plans.

(3) The first is the responsibility of the Internal Auditor and the latter 2 are the responsibility of the Chancellor of the University.

(4) On the basis of the audit reports of the audits carried out by the internal auditor, the auditee shall draw up an action plan.

IV. Final provisions

(1) This Regulation shall enter into force on the day following its adoption, on 21 June 2016.

(2) This Regulation forms part of the Organisational and Operational Procedures (I.16)

(3) With the entry into force of this Regulation, the Regulation on the 'Rules for the treatment of management irregularities (III. 13.) adopted on 20 June 2015 shall be repealed.

Dr. Zsolt Rostoványi
Rector

Dr. Lívía Pavlik
Chancellor

Copy certified by:

Dr. Marica Sárközi-Kerezsi
Secretary of the Senate

V. Annexes

MEMO**to report an irregularity**

(organisational unit)

to (Head of Organisational Unit)

1. The exact identification of the irregularity:

2. The irregularity is in breach of the following law or rule:

3. Name of the organisational unit affected by the irregularity:

4. Perpetrator of the irregularity (if known):

5. Place of occurrence:

6. Date of occurrence:

7. The part of a process or activity affected by the irregularity:

8. Circumstances of detection:

9. The irregularity:

Intentional

Not intentional

10. The frequency of occurrence of the irregularity:
One-off Repeated Regular
11. Correctability of the irregularity:
Ongoing, correctable Not ongoing, correctable Not correctable
12. Measures or proposals for terminating the irregularity:
13. Reference to a financial benefit, payment:
Financial benefit, payment involved No financial benefit, payment involved
14. If the irregularity involved a financial benefit or payment, is it possible to claim it back?
Yes No
15. Has the necessary action been taken to recover the financial benefit or payment?
Yes No
16. If the necessary action to recover the financial benefit or payment has not been taken, the reason for this:
17. Is immediate action needed to compensate, minimise damages?
Yes No
18. Detection of the irregularity-
I noticed it directly It has come to my attention

19. The irregularity was detected as follows:
Document inspection
On-site inspection

20. I attach the following documents relating to the irregularity:
--

21. Comments:

Budapest,
.....20..

.....
signature of the person who discovered the irregularity

I have received the original copy of the memo on the detection of the irregularity.
Budapest,
.....20..

.....
signature of the Head of Organisational Unit

I have received the memo on the detection of the irregularity and I acknowledge that I am obliged to investigate any treatment that affects the whistleblower adversely and to act in case of prejudice.

Budapest,
.....20..

.....
irregularity officer

Annex 2

REPORT ON THE IRREGULARITY(S)

Place of occurrence:

Starting date of the investigation:

Date of completion of the investigation:

Names and titles of the persons carrying out the investigation:

Date of detection of the irregularity: day.....month.....year 20

Names and titles of the persons carrying out the investigation:

How the irregularity was detected (as reported by the person who detected it):

Experience of reviewing the accuracy of the content of the document issued at the time of detection:

Description of the irregularity in case the content of the notification is insufficient to establish the facts:

1. The fact of the irregularity;
2. Classification of the irregularity;
3. The date on which the irregularity was committed;
4. Deviation from the infringed regulation (legislation, internal regulation, instructions)
5. Part of a process or activity affected by an irregularity;
6. The circumstances and factors leading to the irregularity;
7. The fact that the irregularity can or cannot be corrected;
8. Identification of the perpetrators of the irregularity;
9. The way it was committed;
10. Frequency of the irregularity (occasional, periodic, systematic);
11. The consequence of the irregularity (deterioration of quality, defective service, erroneous payment, other damage).

Measures taken locally:

1. Legal basis of the measure;
2. Name of the decision maker;
3. Date of decision;
4. Description of the action (removal, correction; proposal for higher level action);

5. The result of the procedure.

Proposals for further action deemed necessary by the investigators:

Date of transmission of the minutes:

Attached documents:
1. The basic documents supporting the fact (e.g. invoices, outgoing cash documents);
2. Statements by the perpetrators of the irregularity and others concerned.

Place and date of the report:, day.....month.....year.20...

.....
Signature of the Head of the Organisational Unit under investigation

.....
Signature of the person drawing up the report

.....
Signature of the person(s) who carried out the investigation