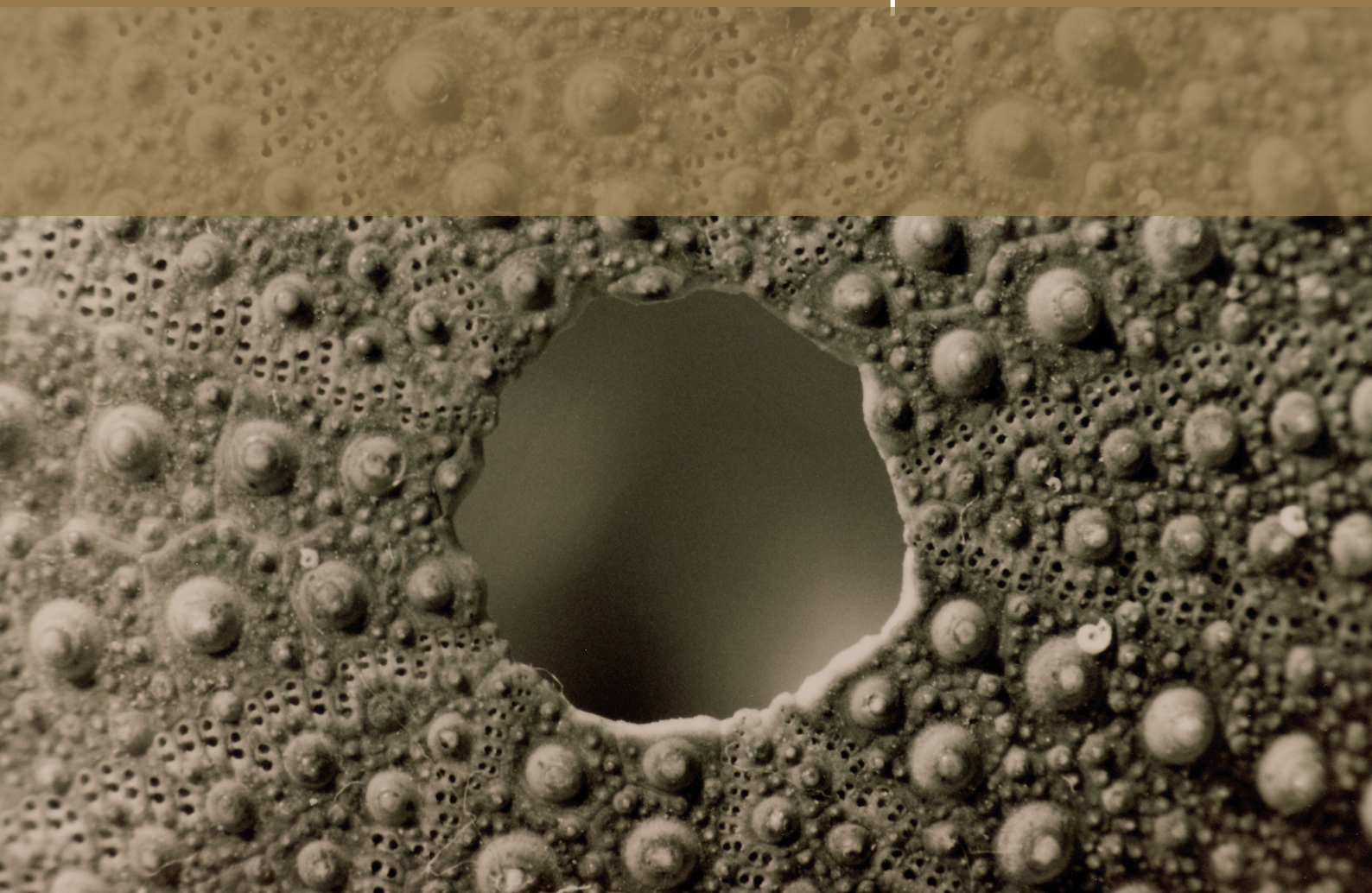


Annual Report 2009



RAČUNSKO SODIŠČE
REPUBLIKE SLOVENIJE





The Mission

The mission of the Court of Audit is to inform the public about important audit findings from the audits of state bodies and other public fund users in a timely and objective manner. In addition, the Court of Audit gives advice to the state bodies and other public fund users on how to improve their business operations.

Watching over Public Money



Annual Report 2009

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KEY RESULTS

- **69** ISSUED AUDIT REPORTS
- **27** ISSUED POST-AUDIT REPORTS
- REVIEW OF BUSINESS OPERATIONS OF **141** AUDITEES
- **85** APPROPRIATELY IMPLEMENTED REMEDIAL MEASURES BY THE USERS OF PUBLIC FUNDS
- **360** RECOMMENDATIONS PROPOSED TO THE USERS OF PUBLIC FUNDS
- PROPOSALS AND RECOMMENDATIONS TO AMEND THE ACTS OR OTHER REGULATIONS
- **159** WRITTEN RESPONSES TO THE QUESTIONS OF THE USERS OF PUBLIC FUNDS
- ACTIVE INTERNATIONAL CO-OPERATION
- COOPERATION WITH THE NATIONAL ASSEMBLY

INTRODUCTION

For the Court of Audit the year 2009 represents the third year of the implementation of its Strategy 2007–2013. Therefore the annual report reflects the achievements of those strategic objectives. The Court of Audit continues with its appropriate and efficient work by responding to the public demands and by selecting relevant audits. In 2009 the Court of Audit received 274 proposals to commence audits; i.e. one third less than in 2008 when it received 357 proposals; and one fifth more than in 2007 when it received 231 proposals. In 2009 the Court of Audit completed 22 mandatory audits, namely audits defined by the legislation; 35 audits were introduced on the basis of risk assessments and materiality; 12 audits were introduced on the basis of the proposals made by the external stakeholders or on the basis of the current issues in the public sector. Thus, 17 per cent of all implemented audits represented a prompt response to the proposals of the public or to the issues arising from the activities of the public sector.

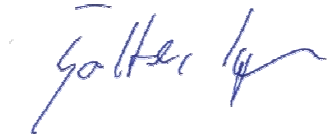
In 2009 the Court of Audit issued 69 audit reports that presented the operations of 141 auditees, the number is comparable to the number of auditees in 2008. The auditees were: all ministries, government, all governmental services, subordinate bodies, the Health Insurance Institute, the Pension and Disability Insurance Institute, 19 municipalities, 13 public institutes, 14 public companies, 7 funds, 2 agencies, 2 foundations. The Court of Audit issued 360 recommendations, i.e. 17 per cent more than in 2008. In 2009 the Court of Audit completed 34 audits with the audit objective to assess the performance of business operation of audited entities. Out of them 23 audits had a single audit objective to assess the performance of the operations; 11 audits had two audit objectives: to assess the performance as well as the regularity of the business operation. The performance audits reviewed the operations of municipalities, non-commercial public services, commercial public services, ministries and other users of public funds. Those audits represented almost half of all audit reports issued in 2009 and the share is comparable to the one in 2008.

One of the roles of the Court of Audit is to counsel to the users of public funds on the public finance issues and to organise trainings for the users of the public funds in order to clarify the sound financial management. Therefore the representatives of the Court of Audit participated at the various seminars, conferences and workshops with their presentations on public finance.

In 2009 the Court of Audit continued with its best practice: to develop questionnaires for the members of the Budget Supervision Committee and in this way to promote the efficiency of their meetings.

In 2009 twenty-six auditors of the Court of Audit were awarded the title state auditor, namely: the Centre of Excellence in Finance carried out the training for the title that was attained by the auditors of the Court of Audit and 8 of them were awarded the title. Also the Court of Audit carried out the training and 18 auditors were awarded the title. In 2009 sixteen employees of the Court of Audit attained the training and were awarded the title certified state auditor. In total, 42 auditors were awarded the audit titles in 2009 what is considered a major success.

Experts of the Court of Audit actively participate with their presentations in the international working groups on state auditing. Namely, they exchange the experience and therefore improve the quality of audit reports and promote coordination of audit methodology in the international arena. The international cooperation is becoming stronger also due to implementation of joint audits carried out by the Court of Audit and other Supreme Audit Institutions.

A handwritten signature in blue ink, appearing to read 'Igor Šoltes', with a stylized flourish at the end.

Dr. Igor Šoltes
President of the Court of Audit

POWERS

The Constitution of the Republic of Slovenia defines in Article 150 that the Court of Audit is the highest body for supervising state budget and all public spending. The Court of Audit is independent in performance of its duties and bound by the Constitution and the laws.

The powers of the Court of Audit are provided in the Court of Audit Act, namely to audit the users of public funds and to provide advice to the public funds users. The Court of Audit by its independence and professionalism implements its activities in a timely manner and of high quality. It carries out not only its mandatory obligations, but by recognising risk areas it tries to promote regularity and performance among the users of public funds.

OBJECTIVES

The mission of the Court of Audit is to inform the public about important audit findings from the audits of state bodies and other public funds users in a timely and objective manner. In addition, by drawing on our experience and expertise the Court of Audit delivers best practice advice to state bodies and other users of public funds on how to improve their financial management. The Court of Audit supports the Parliament in fulfilling its responsibilities by identifying and disclosing irregularities and inefficiencies and making effective recommendations for improvements. Bringing to account state bodies and holders of public functions directly contributes to improvements in the welfare of the citizens of the Republic of Slovenia and the European Union.

In 2006 the Court of Audit of the Republic of Slovenia adopted the Strategy for the period 2007-2013; the strategic objectives are:

Objective 1: To continue to report to the Parliament and the public on the results of auditing public funds timely and with high quality;

Objective 2: To react efficiently to changes in the environment and to the public's requirements and interests;

Objective 3: To continue to benefit the public sector by conducting the audit mandate and to continue contributing to a decrease in the irregularity and inefficiency in the operations of users of public funds;

Objective 4: To further increase the advisory role of the Court of Audit;

Objective 5: To enhance the capacity and skills of our employees and to continuously provide for their training and professional qualifications;

Objective 6: To continually improve communications and to strengthen the cooperation with others;

Objective 7: To further improve the institution's work organisation and management.

These Strategic objectives were included in the Annual work programme for 2009.

OBJECTIVE IMPLEMENTATION

Strategic objective 1

To report to the Parliament and the public on the results of auditing public funds in a timely manner and with high quality

In accordance with Article 25 of the Court of Audit Act the Court of Audit must annually audit:

- the regularity of the implementation of state budget (the regularity of state activities);
- the regularity of business operation of the public institute of health insurance;
- the regularity of business operation of the public institute of pension insurance;
- the regularity of business operation of a suitable number of urban and other municipalities;
- the business operation of a suitable number of public utilities providers;
- the business operation of a suitable number of providers of non-commercial public services.

Apart from the above listed obligatory reports the Court of Audit endeavours to implement other audits in order to provide the Parliament and the public with timely, reliable information of high quality, regarding the financial operations, task implementation, achievement of objectives and results, management and internal control operations of the users of public funds.

In 2009 the Court of Audit implemented 135 audits and issued:

- 69 audit reports - one of them was joint international audit report on environmental issues,
- 27 post-audit reports,
- reports on reviews of the annual reports on the financial management of political parties,
- 2 reports on pre-audit enquiry,
- 73 draft audit reports,
- 70 proposed audit reports,
- 1 consolidated report.

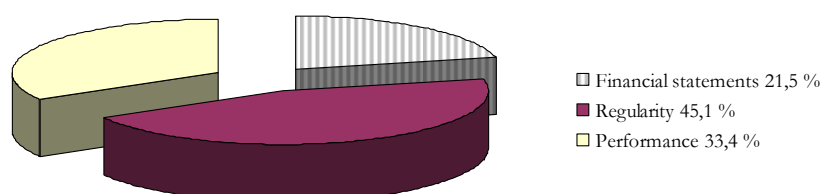
Types of Audits

Audits are ranked according to the objectives set by the Court of Audit. In 2009 the following audit objectives were defined:

- to express an opinion on the financial statements,
- to express an opinion on the compliance with the regulations and
- to express an opinion on the performance; i.e. on economy, efficiency or effectiveness of business operations of budget users.

Figure 1 shows the structure of audit reports by type of audits that were issued in 2009.

Figure 1: Type of audit report by audit objective



The Court of Audit implemented audits where two opinions of the above were simultaneously expressed. In 2009 out of 69 audits implemented 33.4 per cent of them were performance audits, comparable to previous year when 36 per cent of such audits were implemented. Likewise, in 2009 the majority of audits were regularity audits (either as individual objective or one of the two objectives), i.e. 45.1 per cent of all audits.

There were no audits with a single objective to express an opinion on the financial statements, rather this objective was met along with another audit objective (either performance or regularity), such audits represented 21.5 per cent of all audits, i.e. there were for 7.5 per cent more audits of this type than in 2008. In 2009 there were 33 audits (nine more than in previous year) or almost half of all audits (47.8 per cent) that had two audit objectives, namely to express an opinion on the financial statements and on the regularity of business operation or to express an opinion on the regularity and on performance of business operation. Among the audit reports issued in 2009 there were 32 per cent of them that had two audit objectives.

In 2009 there were 34 audits implemented with the objective to assess the performance of business operation. Out of them 23 audits had a single objective to assess performance and 11 audits had an objective to assess performance and regularity. Performance audits were audits of municipalities, non-commercial public services, commercial public services, ministries and other users of public funds. Such audits represented 49.3 per cent of all reports issued in 2009, and can be comparable to the year 2008 (52 per cent).

The annual programme of the Court of Audit included the objective to implement the appropriate number of audits of municipalities. Those audits mainly had only one audit objective, to express an opinion on the performance of their business operations, i.e. 60 per cent of them (in 2008 there were 35 per cent of such audits), the rest of the audits (30 per cent) reviewed regularity of business operations, 10 per cent of audits had two objectives, namely review of the regularity and performance.

Timeliness and quality of audit reports

Timeliness of audit reports is the most important and measurable element of the implementation of the regularity audits on the budget realisation of the State, since the time limits for their completion are defined by the Public Finance Act. It is also one of the most extensive audits of the Court of Audit therefore its implementation and timeliness has a lot of attention and audit work.

The audit report on the budget realisation of the State for 2008 met the objectives of timeliness defined by the Public Finance Act.

Time limits for other obligatory audits are not defined, nevertheless the Court of Audit endeavours to issue audit reports of interest for the public, and thus this principle is more precisely defined under the strategic objective 2 in continuation of the report.

Quality of audit reports is provided by the quality assurance process and procedures defined by the act. Therefore each detailed audit plan, draft audit report and proposed audit report is reviewed by the advisors to the deputy presidents and by the legal department. They mainly review compliance with the audit standards and regulations. Before the final audit report is signed by the president it is also reviewed by the editorial board for linguistic, legal and audit appropriateness.

The quality assurance is promoted also by clearance meetings as defined by the Court of Audit Act. The auditee may file an objection against any audit disclosure in the proposed audit report or give additional explanations. No clearance meeting is necessary, if the auditee notifies the Court of Audit in writing, that no disclosure in the draft audit report is challenged. If the auditee was not successful at the clearance meeting, the auditee can file an objection to the proposed audit report. The Senate of the Court of Audit (composed of the President and two deputy presidents) shall decide on any disputed disclosure in the proposed audit report and their decision is final.

Strategic objective 2

To react efficiently to changes in the environment and to the public's requirements and interests

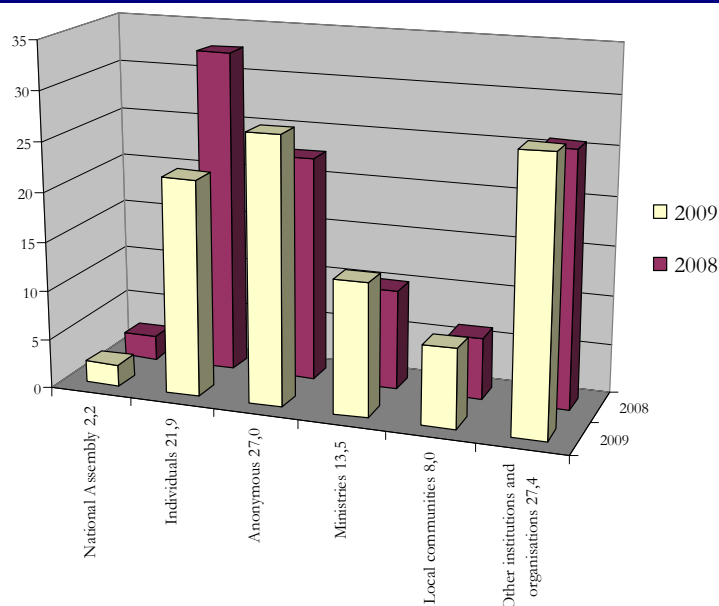
Every year the Court of Audit designs programme of audit implementation with all audits that are planned for the year. When defining the annual work programme the Court of Audit considers the mandatory requirements, as well as materiality of the users of budget funds, risks related to incorrect or inefficient use of public funds, control over the use of public funds, possible impacts of the audits and received proposals made by deputies, individuals and press. Since the circumstances alter during the audit implementation, the Court of Audit corresponds to those changes and revises the Annual work program if necessary. Namely, in 2009 the Court of Audit additionally included 31 audits in the Annual work programme as the response to new circumstances; that is ten more than in 2008; and 19 audits were deleted from the programme of work.

Audit proposals

The Court of Audit received 274 audit proposals in 2009, in 2008 it received 357 proposals and in 2007 it received 231 proposals. Most of audit proposals were made by legal entities (commercial companies, institutions, public companies, scientific institutes, societies and associations), i.e. 75 proposals. They were followed by anonymous proposals, 74 of them, and by individuals or groups of individuals, i.e. 60 proposals. The National Assembly made 6 proposals. The Budget Supervision Committee adopted a decree (on 10th meeting, of 10 December 2009) and proposed that the Court of Audit considers the proposals made by the members of the Committee in its work programme for 2010.

Governmental offices, ministries and subordinated bodies of the ministries made 37 proposals, including 5 proposals made by Tax Administration of the Republic of Slovenia and 13 proposals made by the Police. Two proposals were made by the Court of Justice and the Public Prosecutor's Office, 30 proposals were made by the Anti-Fraud Office of the Republic of Slovenia. Bodies of the local governments delivered 22 proposals. The share of received proposals in 2009 and comparison to the year before shows Figure 2.

Figure 2: Proposals for the implementation of audits by submitters in 2009 and comparison to 2008



In 2009 there were 22 audits implemented, those were the mandatory audits (defined by the law) and 35 audits that were carried out on the basis of the assessed risks, and 12 audits that were carried out on the basis of the received proposals and current issues referred to public sector. Namely, 17 per cent of all completed audits reflect the prompt response to the proposals made by the public or to the current situation in the public sector.

Pre-audit enquiries

The Court of Audit Act introduced the pre-audit enquiry. Namely, the Court of Audit may, prior to the commencement of audit, demand the user of public funds to provide all information which they consider

relevant to their audit, including bookkeeping documents, data and other documentation, and make other enquiries necessary for the planning or conducting the audit. Due to urgent issues arising from the activities of public sector the Court of Audit implemented 4 pre-audit enquiries and issued 2 reports in 2009. The reports on the implemented pre-audit enquiries include risk assessments and proposals whether audits should be commenced or not (to be included in the Annual Work Programme of the Court of Audit).

Proposals made by the National Assembly

In 2009 the Court of Audit received 6 proposals made by the deputies of the National Assembly (Budget Supervision Committee). As mentioned above, the Budget Supervision Committee adopted a decree (on 10th meeting, of 10 December 2009) and proposed that the Court of Audit considers the proposals made by the members of the Committee in its work programme for 2010.

Table 1: Proposals made by deputies of the National Assembly in 2009

No.	Submitter	Description of the proposal
1	Committee for culture, education, sports and youth	Audit on the business operation of the public institution - Radio Television Slovenia in the period from 2005 to 2008
2	Budget Supervision Committee	Regularity and performance audit on operations of the State President's Office for 2008 and 2009
3	Budget Supervision Committee	Regularity and performance audit on managing tangible and financial assets of the Municipality Ljubljana
4	Budget Supervision Committee	Regularity and performance audit on managing tangible and financial assets of the Municipality Nova Gorica
5	Budget Supervision Committee	Regularity and performance audit on managing tangible and financial assets of the Municipality Murska Sobota
6	Budget Supervision Committee	Regularity and performance audit on managing the NEK fund and its investment policy for the last five years

The proposals made by the Budget Supervision Committee in 2008 and 2009 were included in the annual work programme of the Court of Audit as prescribed by the Court of Audit Act (Article 25). It is necessary to stress out that the realisation of the proposals made by the Budget Supervision Committee or members of the Parliament is in different stages of audit process, namely some audit reports shall be issued in 2010 while some shall be still in the process of implementation.

Strategic objective 3

To continue to benefit the public sector by conducting the audit mandate and to continue contributing to a decrease in the irregularity and inefficiency in the operations of users of public funds

Bringing to account state bodies contributes towards the reduction of irregularities and inefficiencies in business operations of the users of public funds and in the use of public funds. As defined by the Constitution the Court of Audit is the highest body for supervising state budget and all public spending. In implementing the audits the Court of Audit actively promotes improvements of business operations of the users of public funds by disclosing irregularities and inefficiencies in audit reports and demands corrective measures or to establish such supervision system that shall prevent any similar irregularities or inefficiencies in future. The Court of Audit also promotes the improvements in business operations by advising and training that shall be presented in more detail under the strategic objective 4: to further increase the advisory role of the Court of Audit.

Benefits for the public sector are measurable and not measurable. The measurable benefits are savings for the public sector, that are results of the audit findings and other provisions of the Court of Audit; not measurable benefits are improving knowledge on the importance of regularity and performance of business operations as well as the responsibilities of the authorised persons. In this way the Court of Audit influences the users of public funds to carry out their activities in a regular and efficient way.

Savings

One of the Court of Audit's annual objectives is to assess savings or other outcomes in two selected audits. In the continuation of the report the assessed outcomes are presented for three audits.

Performance audit on separate collection of waste packaging in the Republic of Slovenia from 2005 to the end of 2007

The Court of Audit assessed that savings, which could be achieved by the Ministry of Environment if it carried out the remedial measures and recommendations defined in the performance audit report, could amount to 53.2 million Euros. Those savings represent savings of the budget, of the commercial public service providers and the users of the service in the period from 2010 to 2013 for which the Ministry of Environment plans to develop separate collection of waste.

Savings could be achieved by:

- altering the way of financing the collection of waste packaging (covered from the prescribed prices payable by producer on the delivery, collection, recycling of waste and not from the costs of the public service). Namely, separate collection of packaging would be promoted and the responsibility of the authorised bodies to promptly pay the collected waste packaging would increase. If the responsibilities would be met, and the transport of waste packaging arranged the commercial public service providers and the users of the service would save 26.9 million Euros in the period 2010–2013;
- due to increased interest in separate collection of waste packaging, the objectives of the Ministry of Environment would be met in 2013 and the amount of waste would be reduced. On the basis of the cost assessment referred to the waste disposals as arranged currently and until 2013 with the future

trends, the Court of Audit estimated the savings in the amount of 13.7 million Euros, i.e. lower costs for the service provider and service users;

- by promoting composting of waste, the proportion of biological waste would be reduced, by 2013 the costs of waste disposal would be reduced in the amount of 3.4 million Euros;
- by introducing separate collection of biological waste the amount of such waste would decrease, but the costs of composting would increase. The outcome of the measure till 2013 would be the saving in the amount of 4.2 million Euros for the service providers and service users;
- by altering the use of funds from the budget line construction and sanitation of waste pits, the municipalities would be able to use 5 million Euros more (in 2010) for promoting separate collection of waste or for recoverable packaging.

Performance audit on the implementation and financing of the motorway construction programme in the Republic of Slovenia from 2004 to the end of 2007

The Court of Audit carried out the performance audit on the implementation and financing of the motorway construction programme and found out that inappropriate definition of shares distributed between the Ministry of Transport and Motorway Company of the Republic Slovenia caused that the VAT was not accounted for. Therefore, the Court of Audit made a proposal to the Tax Administration of the Republic of Slovenia to carry out an inspection and make a calculation of the evaded tax. The Court of Audit believes that the budgetary income could be increased by appropriately accounted VAT:

- for 250.9 million Euros from constructed motorways in the period from 2004 to 2007,
- for 70 million Euros per year from 2008 on based on the planned scope of constructed work.

The Court of Audit pointed out that the so called motorway programme also covered projects not belonging to motorways and should be financed from other sources. Therefore additional savings, i.e. up to 5 per cent of the annual motorway programme or 25 million Euros per year could be achieved if those projects had other financial sources.

Performance audit on the implementation of the commercial public service of electricity distribution in 2007

The performance audit on the implementation of the commercial public service of the electricity distribution in 2007 found out that savings of the budget could be made in the amount of 44.6 million Euros by:

- reducing the rent, since the Court of Audit found out that in half of the year 2007 the SODO (Electricity Distribution System Operator) paid for 1.5 million Euros of costs more that it should due to inappropriate arrangements of income from the commercial public service or due to payments of rent for infrastructure. By implementing remedial measures and by setting up controls over the costs, the SODO could save up to 3 million Euros per year (in three years 9,536,232 Euros);
- appropriate use of funds (referred to costs of connecting) that were in the audited period left to electro companies without any conditions for control over the rents for infrastructure that was financed from that source. By implementing the remedial measure the SODO could retain the funds (referred to costs of connecting) and could save 5.8 million Euros in a half of the year 2007; i.e. 11.6 million Euros annually or 35,187,828 Euros in the next 3 years.

Remedial measures

The user of public funds in whose business operation the irregularities or inefficiencies have been disclosed must submit to the Court of Audit, unless the user of public funds corrected them during the audit procedure, a report on the remedial actions taken with regard to the disclosed irregularities and inefficiencies (a response report). The response report must be submitted within the time-limit defined by the Court of Audit in the range between thirty to ninety days and shall commence on the day following the date on which the audit report was delivered to the user of public funds.

For some audits issued at the end of 2009 the dead line falls into 2010. The auditors of the Court of Audit assess the remedial actions in the so called post-audit reports. Most of the auditees present evidence in the response reports that the appropriate corrective measures for the remedy of disclosed irregularities and inefficiencies have been taken. The Court of Audit may review the remedial measures by undertaking an audit to verify the credibility of the response report. The objective of such audit is to express an opinion on the credibility of the response report.

Some remedial measures are such that demand from the audited user of public funds to present the activities that have been introduced, but shall give results only after a longer period of time. Whether the budget user has followed the recommendations of the Court of Audit can be assessed only after certain period of time by introducing a new audit.

If the Court of Audit estimates that the response report does not provide for a satisfactory remedy of a disclosed irregularity and inefficiency, it shall be deemed that the user of public funds has violated the requirement for operational efficiency. If the requirement for operational efficiency has been violated, the Court of Audit may issue a call for remedial action. The call shall be issued to the relevant authority which the Court of Audit considers to be able, within the scope of its powers, to take action against the user of public funds. The authority to which the call for remedial action was delivered shall submit to the Court of Audit a report on the actions taken or an explanation of the omission of action within thirty days after receipt of the call.

If the requirement for operational efficiency has been seriously violated, the Court of Audit shall notify the National Assembly and also issue the call for the dismissal of the officer responsible and a press release.

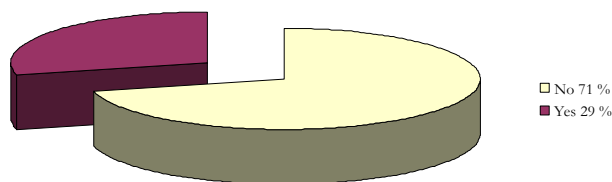
In 2009 the Court of Audit demanded response reports from one third of the audited budget users (29 per cent); in 2008 it made demands to 49 per cent of all audited budget users. This share decreased for one fifth from 2008 to 2009.

Audited budget users presented 129 remedial measures in their response reports. The Court of Audit issued 27 post-audit reports in 2009 where it assessed 107 remedial measures: 85 measures were satisfactory, 13 partially satisfactory and 9 non-satisfactory. Due to non-satisfactory remedial measures the Court of Audit considered that the user of public funds violated the requirement for operational efficiency for 8 auditees (the same as the previous year). Therefore it issued 6 calls for remedial action to the relevant authorities which the Court of Audit considered to be able, within the scope of their powers, to take action against the users of public funds. In one of the cases where non-satisfactory remedial measures were disclosed the Court of Audit assessed that requirement for operational efficiency has been seriously violated and issued a call for the dismissal of the officer responsible.

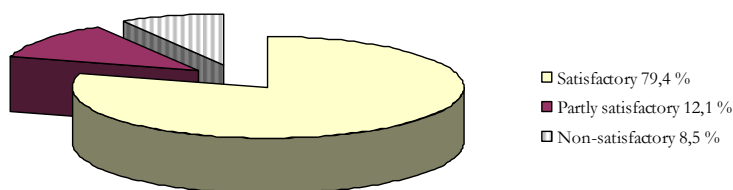
The proportion of response report requirements and the proportion of assessed remedial measures in the issued post-audit reports are shown in Figure 3.

Figure 3: The proportion of response report requirements and the proportion of assessed remedial measures in the issued post-audit reports

Request made for response report to be submitted



Assessment of measures in post-audit reports



Requests for remedial measures, recommendations and their implementation

Most of the measures that had to be followed and implemented by the audited users of public funds were referred to improvements related to: work costs and employment, payments to functionaries, public procurement, financial statement presentation, to reduction of violations of legislation on the area of commercial public services, public funds, strengthening of internal controls and to amending of internal acts.

Remedial measures imposed to the users of public funds by the Court of Audit were mainly referred to:

- work costs and employment,
- medical products in the Republic of Slovenia,
- economy and efficiency of the purchase of the armoured combat vehicle 8x8,
- construction of the Šentvid Tunnel,
- implementation and financing of the motorway construction programme,
- implementation of the commercial public service of electricity distribution,
- co-financing of the media by the State,

- system of legal settlements (mediation),
- cancer treatment issues,
- level of debts of the local communities,
- film programme implementation,
- meeting the objectives of the National Housing Fund,
- other.

Work costs and employment

The users of budget funds were recommended to:

- define work posts that are necessary for the implementation of their work in the legal act;
- assess work posts and allocate employees to work posts,
- define basic salary,
- define scope of funds and proportions of performance bonuses,
- define and pay bonuses, i.e.: bonus on appointment to a title, functional bonus, bonus due to working environment impacts, bonus due to specific burdens or responsibilities, managerial bonus, bonus to leading working posts, bonus due to period of employment, field work bonus,
- define contracts on royalties – to carry out case studies and on their basis to assess the needs for making such contracts and to undertake a unified approach to making such contracts and payments according to them.

Medical products in the Republic of Slovenia

The Ministry of Health, the Public Agency for Medical Products and the Health Insurance Institute of the Republic of Slovenia needed to:

- analyse procedures of availability of medical products; i.e. awarding certificates for sale, defining costs and listing medical products to be internationally comparable by objectives and methods; defining responsibilities for each activity in order to:
 - achieve better response to the tenders and reduce setbacks on the area of awarding the certificates and listing of medical products;
 - define one body responsible for listing medical products on the basis of clearly defined criteria;
 - review the appropriateness of the system of costs on the basis of the cost-benefit analysis and to change the system if necessary;
 - enable an automatic calculation of prices of medical products and to review all the prices of medical products twice a year;
- reduce the use of medical products by introducing trainings and share of information among doctors, pharmacists and users, namely:
 - to clearly define and carry out responsibility for trainings and share of information among doctors, pharmacists and users;
 - to improve cooperation and coordination between auditees on the area of training and sharing of information;
 - to join two existing collections of data on medical products into one complete and unified collection, in order to maximise the outcomes, quality of services for the end users;
- to develop a collection of data on the value and quality of used medical products in the Republic of Slovenia.

Economy and efficiency of the purchase of armoured combat vehicle 8x8

The Court of Audit made recommendations to the Ministry of Defence on the area of major military purchases to assure coordination between different plans and investment documentation, to optimise the number of planning documents and to respond if there are inconsistencies between planned financial sources and costs. When implementing an order it shall clearly define the subject of the purchase, if negotiations are foreseen, the Ministry of Defence should negotiate with all bidders. It should control planned financial sources as well. When realising the contract it should define a project leader and define his roles and responsibilities. When reporting on the project it should improve reporting on the use of the financial sources.

Construction of the Šentvid Tunnel

The Court of Audit defined the following remedial measure to DARS (Motorway Company of the Republic of Slovenia) that must be implemented and the evidence presented in the response report:

- in its internal acts it must define that purchase documentation must be prepared before the commencement of public procurement process begins. The documentation must clearly show that the project to be implemented shall be based on developed documents. Only after the procedure of spatial planning, obtaining the construction permit and completion of construction project the public procurement procedure can be awarded.

DARS in its response report stated that it adopted a decree and an organisation act that clearly define activities and conditions for implementation of individual phases of public procurement procedure. The management defined all necessary activities of the management board, heads of departments and others included in the process of construction and reconstruction in order to consider (apart from legal demands that were already considered) the following:

- documents relating to the call of tenders must be prepared before the public call for tenders is issued, the project must be based on implementation project (except for those buildings that shall be provided by the service provider due to the demands of the construction);
- public procurement can be awarded only after the procedure of spatial planning is completed, obtaining the construction permit and completion of construction project.

The response report was assessed as satisfactory in a part relating to the procedure of spatial planning, obtaining the construction permit and completion of construction project before the public procurement procedure is awarded (except in specific cases such as: tunnels, viaducts...) where measures that approved the omission of the preparation of the completion of construction project before the public procurement procedure is awarded were not satisfactory. Namely, DARS, for defining the exceptions, did not prepare appropriate explanations.

Implementation and financing of the motorway construction programme

The Ministry of Traffic had to present in its response report the following remedial measures:

- preparation of the proposal of rules that define the ways and time limits for paying the concession tax to the budget; the rules must be delivered to the Government for an approval;
- preparation of the plan of activities with time limits and responsible persons for amending the long-term plan of motorway construction, that shall provide for the complete picture of the financial and investment projects and for the allocation of the investments among the authorised bodies;

- preparation of the plan of activities with time limits and responsible persons for the development of the proposal of a contract on purchase order on the basis of which the transfer of rights and responsibilities of made agreements shall be organised, namely transfer to the Republic of Slovenia as defined by Article 3.b of the DARS Act;
- preparation of the plan of activities with time limits and responsible persons for acceptance into use and recording of the public motorway infrastructure and underlying debts in 2009;
- preparation of the proposal of a rules that should clearly define or limit other investments or other public commercial services in the state spatial plans, furthermore it should clearly allocate the responsibilities of financing and investments into the public commercial infrastructure among all responsible state and municipal bodies.

DARS had to present the following remedial measure in its response report:

- preparation of the plan of activities with time limits and responsible persons for preparation of the procedures that shall provide for the separation of assets of the State form the business books of the company in 2009;
- preparation of the proposal of internal rules that shall organise accounting procedures, reporting and business operations in line with the contracts, concession rules and regulations and accounting guidelines.

The Ministry of Traffic was recommended to:

- review and propose changes to the DARS Act in order to clearly define the concession by type and applicability so that the ownership of some parts of the motorways shall not be transferred;
- review and asses which equipment and appliances shall be purchased after the termination of the concession agreement, the prices of them and which equipment and appliances could be a contribution of assets if a new concession agreement is made;
- provide for the ways and procedures of annual motorways development and reconstruction planning according to the national plan; to report on the implementation of the annual plans with common structure (content, way of presenting and valuating of investments);
- review and analyse organisation of construction and reconstruction of motorways and underlying costs of DARS and DDC; on the basis of the results it should prepare and propose appropriate changes to the organisation of motorway constructions in the Republic of Slovenia; thus they should be used by planning the motorway constructions (3., 3.a and 4. development axis) and additional motorway programme;
- review and provide for the coordination of the investment and project documentation in construction of the Pomurje motorway section by altering the programmes or by appropriate changes of the state spatial plans;
- by altering the contract on purchase it should provide that DARS shall deliver monthly invoices (on the basis of the implemented work and issued invoices of the service providers) in order to assure the prompt recording of the public motorway infrastructure and liabilities.

The response reports were assessed as satisfactory.

Regulation of the implementation of the commercial public service of the electricity distribution system (SODO - Electricity Distribution System Operator)

The Court of Audit demanded from the Ministry of Economy to present in the response report the remedial measures referred to:

- the preparation of a strategy on the efficient organization of the commercial public service to provide for its independence and to meet the objectives of the Directive 2003/54/EC on common rules for internal market of electricity distribution and to consider the termination of the Directive 96/92/EC. The service provider should define all activities and the responsible persons and time schedule; the strategy must clearly define coordination of activities between the Ministry of Economy, Agency for Energy and service provider;
- the preparation of activity plan (tasks, dates, responsibilities) that shall provide for the realisation of the decree of the Government that is referred to consultations with minor share holders and trade unions, and provide for the transfer of electro infrastructure to direct or indirect ownership of the State, and provide for the appropriate organisation of the company SODO;
- the preparation of activity plan (tasks, dates, responsibilities) that shall provide for the altered way of financing the services until the activities from the previous paragraph are met. In the frame of the financing the income shall represent only covering their expenses and the transfer of the funds to other electro companies that belong to the SODO shall be prevented;
- the presentation of the records of the electro infrastructure as defined by the Decree on energy infrastructure (Article 9);
- the preparation of activity plan (tasks, dates, responsibilities) that shall provide for appropriate modernisation of the company SODO and as an independent body implement public responsibilities.

Company SODO had to present in the response report the remedial measures referred to:

- obtaining complete and precise list of electro infrastructure from the owners, that include title of the basic assets (date of obtaining the assets, purchase value, level of amortisation, value of 31 December 2008, correction of the value of 31 December 2008 and the amount of the amortisation in 2008);
- setting up the control over the correctness of the data on the infrastructure;
- the preparation of activity plan (tasks, dates, responsibilities) to provide for different way of financing of services (the income shall represent only covering their expenses and the transfer of the funds to other electro companies that belong to the SODO shall be prevented);
- the preparation of activity plan (tasks, dates, responsibilities) that shall provide for appropriate modernisation of the company SODO and as an independent body implement public responsibilities.

The presented remedial measures in the response report were assessed as satisfactory.

Co-financing of the media by the State

The Ministry of Culture had to present in the response report the evidence for the remedial measures undertaken in order to:

- show that Article 18 of the Internal organisation and systematisation of work posts at the Ministry of Culture is followed, i.e. to prepare annual general and quarterly operative programmes and annual and quarterly reports on implemented tasks, or otherwise assure clearer planning and reporting on implemented tasks;

- to implement necessary activities to assure that members of the committee fulfill all set conditions; to set up system of internal controls that shall prevent appointment and operation of those who are not qualified;
- the review of operation and improving of the internal regulations provide for the internal control system that shall assure the implementation of payments after the approval of the responsible person on the quantity and quality of the implemented work that is presented in documents as prescribed in regulations and contracts;
- to start the procedures of identifying responsibilities in the payment procedures;
- to regulate the control system over the implementation of the contract of those implementing the co-financed projects that shall provide for the appropriate procedures for recovery of payments if the violations occurred;
- to implement procedures of control over those carrying out the co-financed projects from the public call for tenders (2008); if it finds out that they do not implement their responsibility, it should carry out appropriate activities for the recovery of funds.

In order to improve the existing system of the State co-financing the Court of Audit made several recommendations to the Ministry of Culture.

Due to the fact that a part of the remedial measures were assessed as partially satisfactory and a part as non-satisfactory in the post-audit procedure, the Court of Audit issued a call on violation of the requirement for operational efficiency.

System of legal settlements (mediation)

The Court of Audit proposed 27 recommendations to the ministries and the State Attorney Office that were carried out during the audit implementation. The ministries identified contact persons for the cooperation of with the State Attorney Office. The Government adopted the act that the Ministry of Justice should develop unified guides and basic grounds for settling the disputes or mediating. The Ministry of Justice prepared the draft rules on unified guidelines and basic grounds for settling disputes and mediating.

The Ministry of Justice also prepared a proposal to State Attorney Office Act that shall include mandatory preliminary procedure for mediation. The Ministry of Finance updated the programme MFERAC for the calculation of the interest rates and description of conto that could provide the data on linking the payment to the clearing and settlement.

Cancer treatment issues

The Ministry of Health should commence the procedures and implement policy of cancer treatment issues in order to:

- on the basis of data, continuously, planned and precisely monitor the circumstances on the area of cancer treatment;
- plan activities and measures to fight cancer disease by defining clear, measurable, achievable, reliable and scheduled objectives and provide for appropriate, sufficient and timely capacities for efficient and effective implementation of objectives;
- provide for systematic implementation of planned activities and set up the system of reporting, monitoring, meeting objectives and measuring outputs, including appropriate activities;

- the area of preventive health care should be more coordinated, all providers of health care and the public should be consulted mainly in the phase of planning and implementing of preventive health activities;
- review the appropriateness of different professional bodies;
- review the form and way of setting up the efficient system of data recording (on costs of treatment, preventive activities, including financial and contextual data) in order to provide for transparent review of the area and to provide for monitoring of financial absorption;
- plan financial sources for primary preventive care in order to reflect the targeted financing and to review the possibilities for additional disbursement of funds from the financial mechanisms of the European Union;
- set up systematic approach to the implementation of each objective of primary preventive care including monitoring of financing projects, performance assessment, and measurement of outputs.

The post-audit report presented that the procedures necessary for improving the circumstances on the area of cancer treatment in the Republic of Slovenia were started. Nevertheless the presented remedial measures without further activities that provide for appropriate, sufficient and timely capacities cannot assure the basis for the efficient and effective planning and implementing of preventive health activities. A part of the measures adopted by the Ministry of Health was assessed as partially satisfactory and a part as satisfactory.

Level of debts of the local communities

The Court of Audit audited regularity and performance of the business operations of municipalities referred to their level of debts and contractual relations (indicating debts) of 31 December 2006 and 31 December 2007, as well as the efficiency of balancing the debts at the Ministry of Finance. Seven municipalities did not have to present response reports, i.e. Municipality Kuzma, Municipality Lovrenc na Pohorju, Municipality Miklavž na Dravskem polju, Municipality Murska Sobota, Municipality Muta, Municipality Radlje ob Dravi and Municipality Šmarje pri Jelšah, since the irregularities were not disclosed or the disclosed irregularities were of such nature that they were not able to remedy them. Three municipalities: Municipality Gornji Grad, Municipality Gornji Petrovci and Municipality Štore, had to present the response reports, since they did not remedy all disclosed irregularities during the audit procedure or adopted appropriate remedial measures.

The municipalities were proposed several recommendations to improve regularity and performance of their business operations (referred to their level of debts and contractual relations - indicating debts), the Ministry of Finance was proposed recommendations to improve efficiency in balancing the debts. All measures presented in the response reports were assessed as satisfactory.

Film programme implementation

The National Film Fund had to present in its response report the remedial measures referred to:

- adopting methodology for evaluation of films and plan of activities for revaluation of intangible assets of 31 December 2009;
- develop unified plan of activities for reorganisation of the National Film Fund in coordination with the Ministry of Culture and in line with the Public Funds Act;
- allocate employees to the pay system according to the level of education as prescribed by the rules on systematisation of work posts at the National Film Fund and the contracts;

- presenting payments of meeting fees to members of supervisory board in line with the Decree on meeting fees and refunding in public funds, public agencies, public institutions and public commercial institutions;
- preparation of the proposal for changes of common business operations of the National Film Fund that must be presented to the supervisory board. The document must include appropriate procedures of public procurement according to the Public Interest for Culture Act (ways of defining criteria for selection and their evaluation);
- presentation of contract on co-financing of films produced by the Academy for Theatre, Radio, Film and Television or a sample of such contract in line with the legislation;
- including the provision on financial insurance of budgetary funds allocated to project of co-financing the film projects in line with the common conditions of business operation of the National Film Fund or a sample of a contract that shall include rules on financial guarantees of the projects;
- commencement of procedures for making contracts on defining the shares for 13 completed film projects by considering all funds allocated by the National Film Fund;
- presentation of contract on employment for the manager of the National Film Fund.

Remedial measures of the Ministry of Culture had to refer to:

- development of a plan of activities for reforming the National Film Fund in line with the Public Services Act;
- presentation of all costs of the National Film Fund that must be incorporated in the funds allocated to the National Film Fund for 2009;
- plan of activities for the implementation of control over the operation of the National Film Fund and control over the approved programmes that must be implemented by the fund.

The Court of Audit proposed to both auditees several recommendations for improving their operations. The remedial measures of the Ministry of Culture that were reviewed in the post audit procedure were assessed as partially satisfactory and satisfactory, the measures of the National Film Fund were assessed as non-satisfactory and partially satisfactory, therefore the Fund was issued a call for remedial action due to serious violation of the requirement for operational efficiency and the Ministry was issued a call for remedial action due to violation of the requirement for operational efficiency.

Meeting the objectives of the National Housing Fund

The National Housing Fund and the Ministry of Environment were given several recommendations that were referred to planning, setting objectives, monitoring the objectives, monitoring the measures referred to housing policy, implementation of the measures on the area of construction of non-profit making houses, providing appropriate scope of funds for the realisation of development, regulatory role of the ministry, setting up the register of apartments, providing for the operations of community councils and their reporting.

Other areas

On the basis of the implemented audits the Court of Audit also issued recommendations or proposals to the legal entities that were not auditees but could influence the remedy of the disclosed irregularities or inefficiencies.

Other measures

The Court of Audit provides for better management of the budget users not only by implementing audits, by issuing audit reports but it also carries out other activities. Namely, one of such activities is to propose changes to the legislation or to propose systematic solutions for certain areas of public sector operations.

Proposals to change legislation

In 2009 the Court of Audit made the following recommendations or proposals to changes of legislation:

Ministry of Traffic:

- to prepare a proposal for amendments of the rules where ways and time limits for payments of concession tax for the use of the motorways shall be defined;
- to prepare a proposal of a rules that should clearly define or limit other investments or other public commercial services in the state spatial plans, furthermore it should clearly allocate the responsibilities of financing and investments into the public commercial infrastructure among all responsible state and municipal bodies;
- to review and propose changes to the DARS Act in order to clearly define the concession by type and applicability so that the ownership of some parts of the motorways shall not be transferred;
- to provide for the ways and procedures of annual motorways development and reconstruction planning according to the national plan; to report on the implementation of the annual plans with common structure (content, way of presenting and valuating of investments).

Ministry of Culture:

- to prepare a proposal for amendments of the Public Interest for Culture Act that would clearly define types of public procurement for film projects financed by the National Film Fund.

Ministry of Environment:

- to amend the Decree on the management of the biological waste and to clearly define possible ways of the implementation of the public service and whether it is possible to carry out composting of waste in the frame of public service;
- to define taxes in the Decree on burdening of the environment that shall promote separate collection of waste;
- prepare a proposal for amendments of the Decree on management of packaging and waste packaging referred to the shares of companies that manage waste packaging, defining the annual quantity of waste packaging that must be collected by public service providers in each municipality, defining clear measures for specifying the costs in the system of waste packaging, defining reporting on the use of funds and sanctions if the companies do not report on the use of funds appropriately;
- to review possibilities of transferring the responsibilities for the implementation of public service to the state level and to change the Environment Protection Act;
- to prepare a proposal of amendments of the Decree on the ways, subjects and conditions of the implementation of the public service in the area of managing waste tyres and define sanctions for violations;

- to prepare a proposal of amendments of the appropriate legislation in order to define responsibilities for managing the waste tyres also for processors and to improve control over the processors of waste tyres.

Municipality Črnomelj:

- to adopt the decree on the form and way of implementing the public service of cleaning of public areas.

Municipality Nova Gorica:

- to continue with activities for adopting the decree on the form and way of implementing the public service of cleaning of public areas.

Municipality Murska Sobota had during the audit procedure:

- adopted the Decree on the form and way of implementing the public service on park maintenance and all green areas on the area of Municipality Murska Sobota (Official Gazette RS, no. 108/07), and also defined the way of implementing the public service of cleaning of public areas.

Municipality Postojna had during the audit procedure:

- adopted amendments to the Decree on Commercial public services in the Municipality Postojna, amendments to the Decree on organisation and work area of municipal administration and Decree on implementing the public service of cleaning of public areas in the Municipality Postojna that defined that cleaning of public areas is implemented by the public utility service of the Municipality Postojna.

In 2009 the Court of Audit proposed amendments to the following laws:

- Public Finance Act;
- Act on financing municipalities;
- Act on tangible assets of the State, regions and municipalities.

Cooperation with the Police and the Prosecution Service

The Court of Audit cooperates with the Police and the Prosecution Service in inspection of criminal offences by delivering the audit documentation, draft or proposed audit reports or final audit reports. The cooperation is also strengthened by organising meetings and consultation sessions.

Criminal offences

In 2009 the Court of Audit delivered to the Police and the Prosecution Service documentation of five cases as information on criminal offences.

Minor offences

On the basis of the audit findings the Court of Audit delivered to the Police and the Prosecution Service documentation of three cases that showed the existence of minor offences.

Assessment of the constitutionality and legality by the Constitutional Court

In 2009 the Court of Audit filed a demand to assess the legality of Article 29 of the Decree on the sale and other ways of managing financial assets of the State and municipalities that was based on the implementation of the audit of the State budget 2008. Furthermore, the Court of Audit filed a demand to assess the legality and constitutionality of individual provisions of the Energy Act, the Act on the defining methodology for accounting network charges and criteria for assessing eligible costs for electronic networks, and the Decree on the common conditions for supply and consumption of the electricity that were based on the performance audit of regulating and implementing the commercial public service of the system operator. The third demand was to assess the legality and constitutionality of individual provisions of the Decree on the specific use of the public areas and the Decree on setting up a budgetary fund for reducing the results of environment contamination in the Municipality Ljubljana; the demand was based on the regularity audit of the Municipality Ljubljana.

Strategic objective 4

To further increase the advisory role of the Court of Audit

The Court of Audit counsels the users of public funds already by implementing audits and in post-audit procedure when it issues the demands to carry out the remedial measures and recommendations. The Court of Audit also answers the questions posed by the National Assembly, users of public funds and the public. Another way of counseling are trainings organised by the Court of Audit where it presents audit findings and gives recommendations on better management of public funds.

Responding to the questions

In 2009 the Court of Audit gave 159 responses to issues on public finances, which is comparable to the year 2008 when it gave for 5 per cent more written responses.

The members of the Court of Audit and the Supreme State Auditors counseled in one third of cases to the local communities, followed by the ministries, their subordinate bodies, public institutions, foundations and agencies.

The most common questions on public finances were referred to:

- working relations and functions,
- paying salaries,
- recovery of costs referred to work (reimbursement for meals, field work),
- other personal payments and labour contracts in the public sector,
- authorities of the municipal supervisory boards,
- financial management of the State, municipalities, public institutions, public companies,

- public procurement,
- health sector,
- valuation and sale of the assets and land,
- other.

Trainings for the budget users

The members of the senate of the Court of Audit, the Supreme State Auditors and other representatives of the Court also in 2009 continued with best practice of sharing their experience with the budget users. Namely, on the invitation of the Association of the municipalities of Slovenia the Court of Audit in January 2009 assigned the Supreme State Auditors, Mojca Planinšek, MSc and Jorg Kristijan Petrovič, MSc to give a lecture at the seminar in Litija. They presented the structure and operations of supervisory boards from the external perspective and discussed the funds for the operations of the supervisory boards and conditions for implementing control. They gave examples of best practice of the operations of the supervisory boards and proposals for better conditions on their operations.

In April 2009 the President of the Court of Audit, dr. Igor Šoltes, spoke to the participants, of the meeting "Days of Municipalities" and meeting of majors held in Ptuj, on the disbursement of the EU funds in the financial perspective 2007-2013 and on special features of auditing the funds from the European budget.

In Gotenica in May 2009 there were Days of criminal police officers where the representatives of the Court of Audit gave their presentations. The President of the Court of Audit described authorities and procedures of the Court, the Supreme State Auditor, Jorg Kristijan Petrovič, MSc, presented the most common violations in operations of the State bodies and in absorption of the EU funds. The Supreme State Auditor, Mojca Planinšek, MSc, presented the most common violations in operations of the municipalities. The advisors to the President, Petra Zemljič, MSc, and Aleksander Petrovčič talked on institute proceedings for the criminal offence on the basis of a charge, and violations on the area of allocating transfers and public procurement.

The international meeting with the title Election Campaign held in Ljubljana in May 2009 was participated also by the First deputy President, Tomaž Vesel, who spoke on the control over the financial operations of the political parties, on taxation of the partial reimbursement of costs if the organiser is a physical entity, on surplus of the collected funds for the election campaign that is earmarked for the humanitarian aid, on incurring debts by the organisers of the election campaign, on costs of the election campaign, and on proposal of the Public Sector Integrity Act referred to the election campaign.

The President of the Court of Audit attended the meeting "Vision of the development of the European Union" that was held in June 2009 and was supported by the Representation of the European Commission in Slovenia within the frame of the initiative of promoting a dialogue on the future of the European Union with a common title Debates of Europe.

In October 2009 there were XXXV. Days of lawyers held in Portorož where the President of the Court of Audit presented the performance of managing the public funds on the area of public institutions.

Strategic objective 5

To enhance the capacity and skills of our employees and to continuously provide for their training and professional qualifications

Work that is implemented by the employees of the Court of Audit must be professional and of high quality. Namely, it has a strong influence on the mandatory training of resources and continuous obtaining of skills of all employees by different training programmes. The financial plan of the Court of Audit for 2009 earmarked financial sources in the amount of 46,299 Euros for different trainings (i.e. seminars, workshops, meetings, and congresses) and the realised amount was 39,361 Euros.

In line with the plan the employees attained trainings for obtaining a level of education, and trainings for upgrading their skills.

Education of the human resources for obtaining a professional level of education

In 2009 there were no internal calls for co-financing of education or for obtaining study leave. At the end of 2009 the Court of Audit had made 7 contracts on education, namely 5 for post-graduate and 2 for graduate studies.

Training of the human resources for obtaining skills

In line with the regulations the employees of the Court of Audit attend the trainings: for obtaining the title of state auditor, internal state auditor, and for bar exam.

The Court of Audit published an internal call for training for state auditor. The training provider was the Court of Audit according to the Training Programme (no. 3502-2/2009-1 of 18 May 2009), adopted by the President of the Court of Audit. According to the call, 27 employees were selected and contracts on training were made.

The programme on training for the obtaining of the title state auditor commenced on 27 May 2009, the training was concluded on 27 November 2009. In 2009 the programme on training for the obtaining of the title state auditor was completed for 26 auditors that were awarded the title.

Namely: the Centre of Excellence in Finance carried out the training for the title that was attained by the auditors of the Court of Audit and 8 of them were awarded the title. Also the Court of Audit carried out the training and 18 auditors were awarded the title. In 2009 sixteen employees of the Court of Audit attained the training and were awarded the title certified state auditor. In total, 42 auditors were awarded the audit titles in 2009 what is considered a major success.

At the end of 2009 there were 19 employees that had contracts on training, i.e. one employee for bar exam, seven employees for the title state auditor and eleven for the title certified state auditor.

Upgrading the knowledge of the human resources

The training was organised in the form of external and internal seminars and seminars abroad. In line with the annual plan of training the funds allocated for training were divided among the departments referred to the number of employees.

There were four internal seminars organised that were attended by most of auditors:

- Fire escape plan and evacuation,
- Communication - art of a dialogue,
- Accounting for non-economists,
- Recommendations of the editorial board - style, format, language.

Strategic objective 6

To continually improve communications and to strengthen the cooperation with others

Cooperation with the National Assembly

The National Assembly has to discuss audit and annual reports of the Court of Audit as defined by the Court of Audit Act. Therefore the Court of Audit delivers all issued audit reports to the National Assembly. The reports are discussed by the Budget Supervisory Committee. In 2009 the Court of Audit continued with the preparation of questionnaires for the discussions where audit reports are addressed, since the questionnaires were helpful to the members of the Committee.

In 2009 the Budget Supervisory Committee addressed 10 reports of the Court of Audit (5 less than a year before), one call on serious violation of operational efficiency, report on the regional meetings with the representatives of municipalities (2007-2008) and the annual report 2008 of the Court. The Budget Supervisory Committee invites the President of the Court, representatives of the Court as well as the auditees to all its meetings where it discusses the Court's reports.

Table 2: The list of reports discussed by the National Assembly

No. of meeting	Date	Audit report
1. regular 2. necessary	15. 1. 2009 9. 2. 2009	• Proposal of the annual financial statement of the State budget 2007
1. necessary	12. 1. 2009 and 26. 2. 2009	• Funds of the European Union in the financial statements of the State budget
2. regular	5. 2. 2009 and 17. 9. 2009	• Regularity audit of the business operation of the Slovene Intelligence and Security Service and Intelligence and Security Service at the Ministry of Defence in 2005, 2006 and first half of the year 2007
3. regular	11. 3. 2009	• Financial statements of the Pension and disability insurance institute

4. regular	8. 4. 2009	<ul style="list-style-type: none"> • Stopping the process of Winding up of the company D.S.U., advisory and management company (note: discussion not completed)
1. contin. 4. regular 5. regular	6. 5. 2009 10. 6. 2009	<ul style="list-style-type: none"> • How was the European Social Fund managed
1. contin. 4. regular	6. 5. 2009	<ul style="list-style-type: none"> • Report on the regional meetings with the representatives of the municipalities 2007–2008
5. regular	10. 6. 2009	<ul style="list-style-type: none"> • Annual Report 2008 of the Court of Audit
8. regular	4. 11. 2009	<ul style="list-style-type: none"> • Proposal of the annual financial statement of the State budget 2008
9. regular 11. regular	2. 12. 2009 20. 1. 2010	<ul style="list-style-type: none"> • Co-financing of media by the State (note: discussion completed in 2010)
9. regular 11. regular	2. 12. 2009 20. 1. 2010	<ul style="list-style-type: none"> • Awarding concessions in health sector (note: discussion completed in 2010)
10. regular	10. 12. 2009	<ul style="list-style-type: none"> • Management of the Film Fund and the Ministry of Culture • Call on serious violation of the operational efficiency

Cooperation with the Budget Supervisory Committee and internal auditors

The Court of Audit promotes the internal control system that would provide the appropriateness and regularity of business operations of the budget users.

In 2009 the Court of Audit continued to cooperate with the Budget Supervision Committee (a body of the Ministry of Finance) that is in line with the Public Finance Act responsible for the development, coordination and review of the operations of the internal control over the public funds. The joint meetings were organised in order to discuss the issues referred to the public finance control. The focus was placed on the rationalisation of the work of internal audit services and possibilities for reduction of the decentralisation of the organisation, cooperation between external and internal auditors, auditing the European funds, organising basic and additional trainings for internal auditors, and cooperation of the auditors of the Court of Audit in the training of the internal auditors.

Cooperation between the internal, external auditors and the Budget Supervision Committee in 2009 can be compared to the cooperation carried out in 2008; the comparison is based on the number of joint activities. Apart from that in 2009 the Court of Audit commenced the audit of the Budget Supervision Committee on the proposal made by the National Assembly.

International cooperation

In order to meet the objectives of the Strategy 2007-2013 *to continually improve communications and to strengthen the cooperation with others* the Court of Audit set the following specific objectives on the international arena:

- to strengthen the cooperation with other Supreme Audit Institutions;

- to participate at the workshops, seminars organised by SAIs, where it can present or gain additional knowledge necessary for the development of auditing skills;
- to become well established and recognised audit institution on the European and World stage.

The key activities for achieving the objectives were:

- to attend the international meetings that promote cooperation between the Supreme Audit Institutions;
- to cooperate with individual Supreme Audit Institutions with the purpose to exchange opinions and to carry out consultations;
- to attend all meetings where the employees of the Court of Audit can present their knowledge and skills;
- to attend all seminars and workshops that improve the knowledge and skills of the employees;
- to cooperate in the working bodies of the EUROSAI and INTOSAI and in seminars and meetings abroad – out of the frame of the audit institutions.

The indicators showing that the results are being met are the following:

- to attend all meetings and preparatory meetings of the Contact Committee within the Supreme Audit Institutions of the European Union;
- to meet the representatives of the Supreme Audit Institutions - at least two bilateral meetings a year;
- to increase the number of active presentations at the international meetings, i.e. for 3-5 per cent regarding the previous year, considering the number of attendances;
- to present a topic which has been discussed at the seminar or workshop – the presentations to be organised by departments;
- to attend at least three meetings of the working groups of the INTOSAI and EUROSAI, where the Court of Audit actively participates and to carry out at least three lectures abroad.

In 2009 forty-four professionals of the Court of Audit attended 34 meetings, panel discussions, workshops, trainings and official visits abroad. They prepared 27 presentations, i.e. for 10.7 per cent more than in 2008 according the number of participants. They also prepared lectures and presentations for auditors in the audit departments on the basis of 11 trainings they attended and carried out the discussions with those auditors of the Court of Audit that were particularly interested in the topics. The representatives of the Court of Audit carried out three bilateral meetings - one was held in Ljubljana and other two in Montenegro and Brasilia. The experts of the Court also attended all meetings organised by the Contact Committee, attended five meetings of working groups and seminars organised by the EUROSAI, and gave six lectures abroad.

Cooperation within the Contact Committee

The most active exchange of opinions is carried out in the working groups of the *Contact Committee*. The members of the Contact Committee made an agreement to organise a round table in Luxembourg referred to the reactions of the Supreme Audit Institutions on the global economic crisis. The meeting was attended by the President of the Court of Audit.

The Contact Committee met in Budapest in 2009 and one of the key issues was *the increased trend of some governments to limit the authorities of the Supreme Audit Institutions*.

All working groups organised within the Contact Committee hosted at least one or two meetings in 2009.

One of those groups is *the Working Group on Structural Funds* that commenced with the implementation of the joint audit on control costs referred to the absorption of the European funds. The Court of Audit as a member of the working group cooperated at three meetings that were held in Netherlands and Germany.

The working group on Common Auditing Standards organised two meetings that were attended by the representative of the Court of Audit.

The working group on Public procurement held two meetings in 2009, i.e. in Belgium and Portugal. The Court of Audit was co-hosting the meeting therefore the representative of the Court of Audit presented current issues referred to the area.

The Coordination Group that operates within the group of representatives of the Supreme Audit Institutions of the European Union prepared a work programme for the adoption of the documents at the Contact Committee. It met in London where the representative of the Court of Audit prepared a report on one of the topic that was discusses at the Contact Committee. The representatives of the Supreme Audit Institutions had a meeting for the preparation of the materials of the Contact Committee in Luxembourg.

An expert of the Court of Audit attended the annual meeting of the *Working Group on VAT* that was held in Luxembourg.

The Working Group on National Supreme Audit Institutions Reports on EU Financial Management had a meeting in Budapest that was attended by the representative of the Court of Audit.

The Working Group on the development of recommendations on unified implementation of auditing standards had two meetings in 2009 in Luxembourg that were attended by the representative of the Court of Audit.

The meeting of the group for *Joint audit of the Supreme Audit Institutions of Hungary, Italy, France and Slovenia* referred to the construction of the railway line from Lyon to Budapest, (the use of funds for the development of the European traffic network TEN-T) was held in Budapest and two auditors of the Court of Audit attended it.

A seminar on comparison of *the methodology in fiscal policy and in auditing the implementation of the Treaty of Lisbon* was held in Helsinki and was attended by the representatives of the Court of Audit.

Working Group on development of intranet that was hosted by the representative of the Court of Audit effectively completed its work in 2009.

Bilateral cooperation

The Court of Audit hosted *a delegation of the European Court of Auditors* with the president Vítor Manuel da Silva Caldeira where the Slovene Court presented its objectives of the Strategy and discussed the cooperation between the institutions. The bilateral discussions between the representatives of the SAIs were also held in Brasilia and Montenegro.

The Court of Audit in 2009 implemented in cooperation with the SAI of Netherlands a joint *audit on reform programme* therefore the representatives of both institutions met in Netherlands.

The Court of Audit actively cooperates also with some Supreme Audit Institutions that are in the process of audit development. Among them there is the Supreme Audit Institution of Montenegro that invited the President of the Court of Audit to assist them in the development of their Strategy. Furthermore the President of the Court of Audit had several presentations on public procurement in Supreme Audit Institution of the Republic of Serbia and the Office for public procurement of Serbia.

Cooperation within the EUROSAI

The European Organisation of the Supreme Audit Institutions (EUROSAI) established several working groups, organised seminars and conferences.

The meeting of the *Working group on IT* that promoted the joint audit activities on the area of information technology was held in Switzerland. The meeting was attended by the representative of the Court of Audit and they exchanged the experience on the implemented pilot projects.

The Working Group on Environmental auditing organised a meeting for preparation of the programme, agreement on seminars of the working groups, further cooperation and on the use of the obtained skills that was held in Netherlands and the seminar was held in Bulgaria. The representative of the Court of Audit is a member of core group and attended both meetings.

Within the EUROSAI there was a *Conference on common cooperation* between the EUROSAI and the ARABOSAI in Paris that was attended by the President. The topic of the conference was the role of the Supreme Audit Institutions in development of the public agencies and modernisation of the State.

The exchange of the best practice and experience between the Supreme Audit Institutions on the methodology Cobit, way of use and development of the IT was presented at the *seminars of the EUROSAI*.

Cooperation within the INTOSAI

The Court of Audit cooperates in five working groups of the International Organisation of the Supreme Audit Institutions – INTOSAI. *The Working Group on Privatisation, Economic measures and Public Private Partnership* held a meeting in Moscow and was attended by the representative of the Court of Audit.

Cooperation within other multilateral organisations and meetings

There was a workshop on the role of the Supreme Audit Institutions that was held in Brasilia. The President of the Court of Audit presented the operations of the Slovene Court of Audit. At that occasion he also met the President of the Brazilian Supreme Audit Institution.

The institutions of the European Union regularly organise seminars in order to share the best practice with others. In 2008 the experts of the Court of Audit attended the seminar on public procurement in defence sector that was held in Maastricht.

Also in 2009 there was a regular annual meeting of the representatives of the Supreme Audit Institutions (CNABs – Competent National Audit Bodies) with members of the International Board of Auditors for

NATO - IBAN in Brussels. Namely, the representatives of the Supreme Audit Institutions of the EU discuss the annual report of the International Board of Auditors for NATO; therefore the meeting was attended by the representative of the Court of Audit.

The relations of the Supreme Audit Institution with the media are very important; therefore the representative of the Court of Audit cooperated at three meetings held in London and Zagreb.

The European Commission organised a meeting in Brussels to assess the level of internal development of public finance and define ways of improving the system. The meeting was attended by the representative of the Court of Audit who had a presentation.

The presentation of the use, purpose and operational control of the cost-benefit analysis in the period 2007–2013 was a subject of the seminar held in Barcelona that was attended by the representative of the Court of Audit.

The Court of Audit hosted several delegations in 2009: parliamentary delegation of Kirgizia, delegation of journalists from Serbia, there were also working meetings with representatives of the European Commission and the OSCE for monitoring the election of members into the European Parliament.

The Court of Audit continued with close cooperation with the Supreme Audit Institution of the Great Britain in order to strengthen the capacities of the SAI of Kosovo. Therefore the study visit in Slovenia was organised for the representatives of the SAI Kosovo, and experts of the Court of Audit had several presentations on capacity building in the Office of the Auditor General of Kosovo.

Cooperation with media and the public

Questions posed by journalists and requests for additional explanations

In the last few years there is an observed increase in the number of questions posed by media and requests for additional explanations on audit procedures and other public finance issues. In 2009 there were 135 written questions of journalists and requests for additional explanations and this number is comparable to the year 2008. There were also many inquiries made via telephone.

Press Conferences

From January to the end of December 2009 there were 18 press conferences (one less than in previous year). Considering the fact that out of nineteen press conferences held in 2008 seven were carried out on regional discussions with representatives of the local communities, i.e. in Murska Sobota, Maribor, Ptuj, Velenje, Slovenj Gradec, Semič and Ljubljana, therefore the actual number of implemented press conferences in 2009 at the headquarters of the Court of Audit increased for 6 compared to 2008.

Statistical review of published articles in media

The number of published articles in media in 2009 increased to 4818, i.e. almost for one fifth or for 18.8 per cent compared to the year 2008. The increased number of published articles shows that media

activities were planned after the publication of audit reports, including regular informing and better cooperation with the media.

The greatest share of publications was recorded in August when the audit report on the economy and efficiency of the purchase of the armoured combat vehicle 8x8 was released. This topic was also covered in the media in September when a lot of attention was placed also on the audit report on financial statement of the State budget for 2008. In March there was also a lot of interest of the media in the work of the Court of Audit when two reports were issued, i.e. the regularity of procedures in construction of the Šentvid Tunnel, junction of the tunnel to Celovška Street, amendment of the construction permit, awarding the public procurement, control over the contract implementation of the Ministry of Traffic. The second report was referred to the performance of the implementation and financing of the programme of construction of the motorways in the Republic of Slovenia in the period from 2004 to 2007. The auditees were the Ministry of Traffic and company for development of motorway system. The audit reviewed the appropriateness of the relationship between the ministry and company in planning, implementing and financing of the construction of the motorways. The purpose of the audit was to assess the costs of the construction.

In that month the Court of Audit presented the audit report on performance (efficiency, effectiveness and economy) of the implementation of the commercial public service of the operator of electric energy network in 2007.

In February there was again major press coverage on the audit report on the proposal of the financial statement of the State budget for 2007. The Court of Audit presented three audit reports with the objective to assess the performance of business operation of the Slovene Compensation Company in settling liabilities in the period from 2004 to 2007 and the efficiency of the stopping the process of winding up of the company D.S.U., advisory and management company; and management of the area of medicine products in Slovenia, where the Court assessed whether the area provided for appropriate access to the medicine products and whether the measures for managing costs were satisfactory.

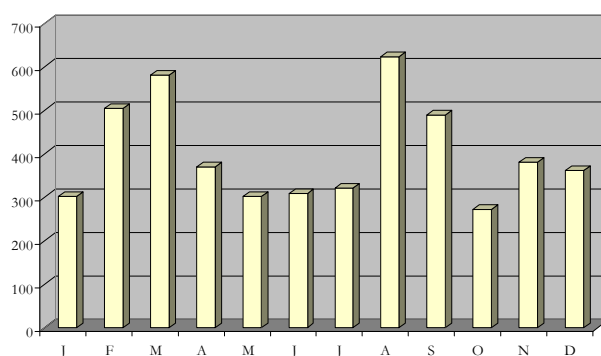
In February the Court of Audit presented the report on the regional discussions 2007-2008 that was delivered to the Budget Supervisory Committee, Ministry of Environment, Government Service for the local self-government and regional policy, and Government Service for development.

The press conferences in 2009 presented to the media and the public other audit reports: on performance of co-financing of media by the state, annual report of the Court of Audit 2008, eight reports on the referendum campaigns (referred to the areas and titles of the regions in Slovenia and referred to the status of the Municipality Ljubljana); on legal settlements (mediations) from 2005 to 2007; on cancer treatment issues; on level of debts of the local governments; on performance and regularity of operations of the National Film Fund for 2007; on regularity of financing the election campaign of the members to the parliament in 2008; on post-audit report of the National Film Fund and a call for a dismissal of the director of the National Film Fund; on the regularity of operations of the Municipality Ljubljana in 2007 in 2008; on the efficiency of the meeting the objectives of the National Housing Fund in the period 2000-2007.

Table 3: The number of published articles in media - comparison between 2008 and 2009

Month	No. of articles in 2008	No. of articles in 2009
January	132	302
February	887	505
March	420	580
April	544	371
May	159	303
June	187	308
July	197	321
August	179	624
September	232	489
October	373	272
November	263	381
December	482	362
Total	4.055	4.818

Figure 4: The number of published articles in media in 2009



Publications on the web pages of the Court of Audit

All reports of the Court of Audit are public. When they are submitted to the auditees they are also available to the public on the web pages of the Court, except in cases when they are confidential. The web page also presents the audits in the process of implementation, with a description of the phases. Therefore the public is able to regularly monitor the work of the Court of Audit. Such an approach shall be provided also in the future.

In 2008 the Court of Audit published 70 articles on its web pages and in 2009 it published 95 articles, i.e. an increase for a third or 35.7 per cent. The public was regularly informed on all activities, press conferences, public statements and events.

Strategic objective 7

To further improve the institution's work organisation and management

The Court of Audit provides for the excellence in performance of its tasks. Therefore it has set up a process of quality assurance in all phases of the audit and post-audit procedure. Better management of the operations was promoted also by the upgrading of the information system for planning and monitoring of the implementation of the audits. The Court of Audit started to use the new application in all audit phases in 2008. The upgraded IT provides for more efficient planning and monitoring of the audits, since it enables more updated and adjusted information on planned and implemented audit work, that are the basis for the decision making. For the users of the upgraded IT system it means less work regarding the reporting, clearly recording the time consumption, better review of the implemented work and planned work. The upgraded IT system for planning and monitoring of the audits also in 2009 provided for the systematic monitoring of data on irregularities, errors and inefficiencies that were disclosed in the audit process.

The biggest problem in monitoring the implementation of the recommendations remains the fact that the existing regulations do not provide for the Court of Audit to demand from the users of public funds to deliver a report on the implementation of the recommendations. The Court of Audit can assess whether the recommendations were implemented only if it carries out another audit of the same auditee. In this way the Court of Audit shall review the implementation of the recommendations also in the future. Nevertheless the scope of such audits is limited due to the fact that the audit cannot be limited only to the review of implementing the recommendations, therefore it is time consuming, and thus the annual plan of audits cannot include more audits of that type.

The efficiency of the Court of Audit was improved also because the Court of Audit set up an office in Maribor that implements audits on the area of north-east of Slovenia. Thus the availability of resources is assured, and the knowledge of the local circumstances provides for more efficient audit implementation.

Internal Auditing

Internal auditing at the Court of Audit is carried out by the auditors appointed by the President of the Court of Audit. The legal base for the internal auditing is based on the Rules on accounting and financial operations and the Rules on internal controls of the Court of Audit. The type and the scope of audits in 2009 were defined by a short-term plan of implementing the internal audits. In 2009 the mandatory internal audit on regularity of the financial statements and regularity of implementing the financial plan of the Court of Audit was carried out, as defined by the Rules on accounting and financial operations. The audit subjects were financial statements of 2008 and the financial plan for 2008. The audit objective was to express an opinion on the reliability and credibility of the financial statements and on the regularity of the implementation of the financial plan. The audit findings were presented in the audit report. On the basis of the reviews it was found out that the financial statements showed the true picture of the account balance as of 31 December 2008 and business outcome from 1 January 2008 to 31 December 2008. The

implementation of the financial plan of the Court of Audit was in all material ways in line with the regulations (positive opinion).

AUDIT FINDINGS

Opinions expressed in the audit reports

In the issued audit reports where the objectives were either expressing an opinion on the regularity of operations or on compliance of operations with the regulations, or an opinion on financial statements, a total of 83 opinions were expressed. In 2008 there were 74 of such opinions.

Opinions expressed within performance audits were descriptive and consisted of assessments of economy, efficiency and effectiveness of operations. There were 34 such opinions issued in 2009. In 2008 there were 39 of such opinions. The most frequent type of opinion expressed in 2009 was an opinion with reservations. The number of such opinions was 36 or 43.4 per cent, i.e. a slight reduction compared to the year 2008 when such opinions represented 50 per cent of all opinions. This trend can be explained on the basis of the increase of positive opinions and decrease of the negative opinions compared to the previous year. The Court of Audit issued 32 reports (38.5 per cent) that contained a positive opinions (regularity and compliance with regulations), which represented for 11.5 per cent of opinions more than in 2008 (the share was 27 per cent). The share of positive opinions increased also compared to the year 2007, when there were 11 per cent of positive opinions. 18.1 per cent of opinions were negative opinions, issued in 15 reports. Their share decreased compared to 2008 for almost 5 per cent. The structure of opinions is presented in Figures 5 and 6.

Figure 5: Type of opinion expressed in 2009 - in total

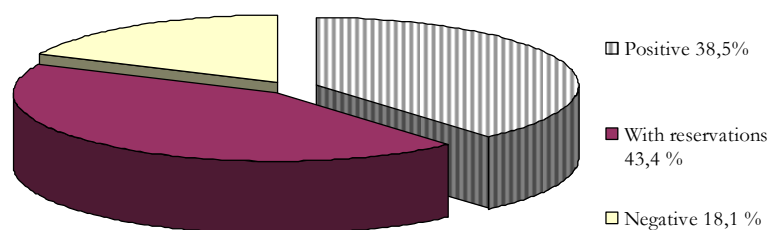
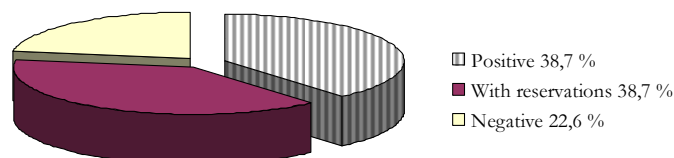
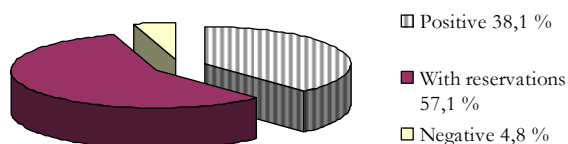


Figure 6: Audit opinions by objectives

Opinions on regularity of business operation



Opinions on financial statements



Among the audits with the objective to express an opinion on regularity of business operation the share of positive and opinions with reservations was equal (38.7 per cent), the negative opinions represented more than one fifth of all opinions (22.6 per cents). In 2008 the most common opinions were opinions with reservations (50.9 per cent), followed by negative opinions, i.e. 27.3 per cent and positive opinions with 21.8 per cent. Compared to 2008 the share of positive opinions increased for almost 17 per cent (from 21.8 per cent in 2008 to 38.7 per cent in 2009).

There were less negative opinions than in 2008 (27.3 per cent), i.e. 22.6 per cent in 2009. The most common reasons for expressing the opinion with reservations and negative opinions were violations of legislations and other rules that regulate the financing of the public funds users, mainly on the area of public procurement and pay.

In 2009 the Court of Audit issued 38.1 per cent of the audits of the financial statements with positive opinion that share is comparable to the share of the reports issued in 2008 (42.1 per cent). The share of the opinions with reservations increased in 2009 (57.1 per cent) compared to 2008 (47.4 per cent). The number of negative opinions decreased (4.8 per cent) regarding the regularity audits; their share decreased also compared to the year 2008 for one half (10.5 per cent in 2008). The share of positive opinions (38.1 per cent) is comparable to the share of positive opinions of the regularity audits (38.7 per cent).

Most common errors and irregularities

The Court of Audit carries out audits of the regularity of business operation of the budget users by reviewing the compliance with the legislation. The business operations of the budget users are regulated by a number of laws and regulations, namely their financial operations are regulated by legislation referred to public finance; the accounting of pay of the employees is regulated by labour legislation; their operations are also regulated by other legislation. In the continuation of the report the most common errors and irregularities, disclosed in the audit reports published in 2009, shall be presented.

When realising the state budget the following violations of the Public Finance Act were found out: the state bodies or municipalities did not review the legal basis and liabilities or the payments did not have the legal basis in the bookkeeping. In some cases the contracts were made before the conditions presented in the public invitations for bidders were met; in some cases the public procurements were awarded without contracts. The auditors found out that direct budget users undertook the liabilities that were not planned in the financial plan (plan of construction, purchases). Furthermore, there were unauthorised advances paid, there were no multilateral contracts made, some budget users opened a budget line without justification. Some budget users did not provide for the earmarked funds or they took liabilities without following all legal provisions and other conditions. The budget funds were used for the implementation of the tasks that were not necessary for their operations. Some settled their liabilities in time limits that were not in line with the prescribed law on budget implementation of the Republic of Slovenia. Some of them incorrectly recorded the liabilities they undertook.

The auditors found out various irregularities referred to the management of the state and municipal debts. Namely, the auditees did not provide for the insurance of the issued state guarantees. In managing the state debt the costs and the state debt were increased. The state guarantee was issued without legal basis. In the audit on the managing the debt by municipalities the auditors found out that the long-term debt of 31 December exceeded the approved limits (the same for the amount of the principal value and interest rates of the debt and for liquidity loan). The municipalities issued guarantees to legal entities that were not entitled to them. Furthermore the approved amount of the guarantees bonds was exceeded. In the decree on the budget of the municipalities the limits of the debt were not planned, or municipalities incurred debts without the approval of the Ministry of Finance (the same for the contracts made on financial lease and for non-occurrence of long-term and short-term liabilities and liabilities from financial lease). Two municipalities made contracts on financial lease without carrying out the procedure on selection of bids.

In managing the financial assets of the state and municipalities the auditors found out that institutions were founded and financed without the state's role in management. The purchase price from the sale of the capital investment of the State was not earmarked. A bank NKBM had capital increase without the approval of the Government of the Republic of Slovenia. The company owned by the state was sold without inventory appraisal and adoption of a sale programme. A company D.S.U. carried out operations for the state without valid contract and the costs of its services were not reviewed. The state incorrectly converted a claim in non-cash contribution of the state into the company. The auditors also pointed out that there were irregularities in the procedures of the awarding the public procurement, i.e. public area for garden for catering establishment.

The report also presented the weaknesses of the legislation on the area of public spaces with the status of public good that are awarded in the processes of public procurement. Material errors in the financial statements of the public institutions were referred to the inappropriate and deficient presentation of tangible fixed assets in liabilities for assets received for management, non-presentation of the values of

land and assets, presentation of undervalued funds in trust. The committed appropriations were incorrectly recorded among short-term liabilities instead of among the appropriations. Amortisation was incorrectly accounted for, therefore the value of the underlying property was incorrectly recorded and liabilities for funds in trust.

The auditors found out that the fund of assets was overstated and the provisions of expenditures were understated due to incorrect compensation of costs of amortisation of fixed assets from donations. There were no criteria made for dividing income and expenditures from the public service and commercial service.

The rules on public procurement were violated most often when the contracts were made without prescribed procedure of public procurement. Further on the limits for making annexes were exceeded. The bids which were incomplete or inappropriate were not rejected or the changes to the public invitation to bidders were not corrected on time. The public institutions had carried out more inappropriate procedures of public procurement awarding, the value of the public procurement was inappropriately defined, and therefore the procedures were less transparent. There were irregularities in purchasing goods - the irregularity of increasing the price of goods, or changing other conditions referred to the public invitation call or extending the subject of the public procurement.

In allocating transfers or in co-financing of the projects from the budget the auditors found out that various regulations were violated. Some ministries violated Public Finance Act, since they did not carry out the control over the legal entities that were allocating the funds and public institutions that were incorrectly used. In allocating the European funds there were the following irregularities disclosed: the users did not review the projects, they issued decrees on selection before the commission declared its opinion, the compliance of payments with the regulations was not reviewed, and the public invitation to bids did not include the measures and their use for the selection. Referred to the financing of the development of the rural areas, the auditees did not consider the bids in line with their arrival. In implementing the public call and public invitation to bids for co-financing of the cultural projects the auditors found out that the ministry made contracts even though the report or the final proposal of the committee did not include the explanations of the reasons for proposed approval.

Special attention was also laid on the public private partnership on the level of municipalities. The auditors pointed out the following: the selection of the private partner in the procedure of the competitive dialogue was implemented before the public partner found a solution appropriate for its objectives; there was a risk that projects become more expensive due to some proposed solutions. The municipality did not prepare the analysis of management the football stadium and of sports facilities with specified costs, sources of financing, and managers of the buildings.

There were many irregularities linked to employment, pay and other personal bonuses in direct and indirect budget users. Therefore the Public servants Act was violated: not all conditions for allocation to a working post were listed in the public invitation, or the list was extended with the demands on qualifications. In some cases the public invitation procedures were not implemented or the equality of all candidates was not assured. The public institutions violated the act also by allocating the employees to working posts that were not in the act on systematisation of work posts. The Working Relations Act was violated where the employees were allocated to work posts for which they did not have appropriate qualifications. Referred to the pay reform of 2008 and the System of Pay in the Public Sector Act the auditors found out that the employees were allocated to the payment classes inappropriately or the basic

pay was not correctly defined. The Government of the Republic of Slovenia did not provide for the transparent monitoring of the calculation of the funds for minimising the wage disparities, the committed use of the funds and transparent reporting to the trade unions on the collected, used funds for minimising the wage disparities. The auditors found out irregularities in accounting the pay bonuses, namely some bonuses were allocated without legal basis, or contrary to the conditions; the bonuses were accounted for in such a way to exceed the approved amounts. Public institutions made civil law contracts that were inadmissible, mainly in cases when elements of working relations were evident, and the violation of provisions that regulate work over the full-time.

In the continuation of the report some irregularities referred to the cross section audit or some performance audits shall be presented:

- The cross-sectional audit on managing public green areas - the auditors found out that four municipalities out of five did not develop appropriate legal basis for the management of the public green areas.
- The audit on the regularity of management of the waste tyres found out irregularities referred to settling concession tax as well as irregularities in relation to the recording of the scope of implemented services. The concessionaire did not develop separate records on waste tyres therefore the amounts of waste tyres were recorded among other technological waste. Disposal of the technological waste was accounted for in the frame of concessional commercial public service, regardless the fact that the environmental tax for the technological waste was not settled. The companies did not settle the concession tax on time or did not settle it at all. The company incorrectly accounted the amount of the waste tyres because it calculated also the weight of the truck; some documents had corrections of the weights made in hand. The scope of the commercial public services was accounted for on the basis of the documents where the weight of the waste tyres was written by hand or the weight was copied from the data base of the weighing machine; therefore there was a risk that the invoices that were the basis for the payments were incorrect.
- The Court of Audit carried out the audit on the regularity of procedures in construction of the Šentvid Tunnel and it found out that the issued construction permit was not in line with the location plan. The Ministry of Environment amended the construction permit and thus enabled the construction earlier, before the procedure of altering the location plan was completed. Company for motorway construction was violating the rules on the public procurement because it published public invitation for bids with demanding conditions that were described in the amended documentation relating to the call for tenders. Furthermore it made two years after the contract was made an agreement with the service provider where it approved responsibilities that were not in the contract that was made on the basis of the public call for tenders. On the basis of the agreement the discount was deleted even though it was foreseen in the contract for all costs. It also included the increase of the prices due to the poor geological and geotechnical conditions. Also other irregularities were disclosed.
- The Court of Audit audited the business operations of the National Film Fund and the Ministry of Culture. It found out many irregularities in their business operations. Namely, the Fund for the selection of the proposals for co-financing of the film projects, and for co-financing of the training on the area of film published incorrect public procurement procedure and made a selection on the basis of incorrectly defined criteria. The Ministry did not develop the necessary activities for balancing the assets of the National Film Fund with its definition in the Decree on the Fund. When calculating the amounts for covering the costs of the Fund's services, the Ministry did not consider the costs of work from other contractual relations.

PRESENTATION OF THE WORK BY AUDIT DEPARTMENTS

The State Budget and the Direct Budget Users

The audit department that carries out audits of the budget users, in 2009 implemented 40 audits and issued 26 audit reports and 3 post audit reports:

- Audit on the financial statement of the State budget for 2008,
- Audit on efficiency and economy of achieving the set objectives of the defence programmes 2005–2010 and 2007-2012 (equipment of the Slovene Army – a case of the armoured combat vehicle 8x8),
- Audit on the efficiency of the business operation of the National Housing Fund,
- Performance audit on the legal settlements (mediation) in the Republic of Slovenia,
- Audit on referendum campaign for regions at the organiser: LDS,
- Audit on referendum campaign for regions at the organiser: LIPA,
- Audit on referendum campaign for regions at the organiser: Lista za pravičnost in razvoj,
- Audit on referendum campaign for regions at the organiser: NSi,
- Audit on referendum campaign for regions at the organiser: SD,
- Audit on referendum campaign for regions at the organiser: SDS,
- Audit on referendum campaign for regions at the organiser: SLS,
- Audit on referendum campaign for regions at the organiser: Zares – new policy,
- Implementing the commercial interests of the Republic of Slovenia abroad,
- Regularity audit on the business operation of the Prison Administration of the Republic of Slovenia in 2007 and in the first half of 2008,
- Audit on financing the election campaign for R. Battelli,
- Audit on financing the election campaign for DeSUS,
- Audit on financing the election campaign for L. Göncz,
- Audit on financing the election campaign for LDS,
- Audit on financing the election campaign for NSi,
- Audit on financing the election campaign for SD,
- Audit on financing the election campaign for SDS,
- Audit on financing the election campaign for SLS and SMS,
- Audit on financing the election campaign for SNS,
- Audit on financing the election campaign for Zares – new policy,
- Regularity audit on the operations of the Administration for chemicals,
- Regularity audit on procedures implemented by the Company for motorway construction referred to the construction of the Šentvid Tunnel,
- Post-audit report on the regularity of procedures of the Company for motorway construction referred to the construction of the Šentvid Tunnel,
- Post-audit report on managing debt of the state - planning, managing and reporting on the public debt in the period from 2003 to 2006,

- Post-audit report on the regularity of the operations of the Slovene intelligence and security agency and Slovene intelligence and security service at the Ministry of Defence.

All audit reports are available to the public in Slovene language on the web pages of the Court of Audit, <http://www.rs-rs.si>.

The department B1 reviewed all annual reports on the operations of the political parties of 2008 in line with the Political Parties Act. The political parties must submit to the National Assembly their annual reports on their operations. Before they deliver the reports to the National Assembly they must be reviewed by the Court of Audit. The note on the review must be attached to the political party report and delivered to the National Assembly. Every party must submit to the Court of Audit their annual report at least on March 31 of the current year. The Court of Audit assesses whether the annual reports meet all the demands from the regulations.

The annual report on the operations of the party must include all income and expenditures and sources of the income. The report must also present the data on the company, the seat of the legal entity or personal data of the individual (name, surname, and address) and the amounts contributed, if the amounts exceed three times the average monthly pay of an employee in the Republic of Slovenia; and the data on the costs of the election. The report must also include the party's assets; all changes in the assets must be described, including the sources of the funds for increasing the assets if they exceed the amount of five average pays of the employee in the Republic of Slovenia. The control over the implantation of the provisions of the legislation is carried out by the Inspectorate of the Republic of Slovenia authorised for internal affairs, except in cases referred to the provisions of financing the political parties that is under control of the Ministry of Finance.

Audit of the proposal of the financial statement of the State budget of 2008

The objectives of the audit were to express an opinion on the proposal of the common part of the State budget and an opinion on the regularity of the implementation of the State budget in 2008. The auditees were the Government of the Republic of Slovenia and budget users of the state.

The Court of Audit expressed on the *proposal of the common part of the State budget* for 2008 a *negative opinion* since the balance of revenue and expenditures did not present paid dividend of the company Telekom among the non-tax revenues; among current transfers there were not presented paid funds to those investing in the public telecommunication network; among the current expenditures there were not presented interests for funds of the Slovene Indemnity Company and costs of the company's services (as defined by the Act on the returns of the contributions into the public telecommunication network). Due to incorrect classification of expenditures in the balance sheet, and understatements of the investment expenditures, the current expenditures and capital transfers were overstated. The landing and repayables account did not present revenue and expenditures that occurred at the conversion of the claims of the state towards the company D.S.U.

The financing account did not present among the revenue the funds of the Slovene Indemnity Company for payments of indemnities to those investing in the public telecommunication network. The Court of Audit pointed out the changes of the accounting guidelines in recording the payments of loans that were hired according to the Act on the providing the funds for realising the basic development programmes of

the defence forces of the Republic of Slovenia in the period from 1994 to 2007. Due to the changes in recording, the used funds from loans that were not paid by the end of 2007, in the following financial statements of the budget they shall not be presented as current expenditure in the balance sheet and as borrowing in the financing account.

Such recording is according to the changed rules correct, but does not provide for the complete information on the budget deficit and borrowing of the state. It presents a deviation from the accounting principle of consistency and comparability of the financial statements of the state.

The Court of Audit expressed an *opinion with reservation* on the regularity of the implementation of the State budget. The Government and budget users of the state did not comply with the regulations in the following cases:

Discrepancies referred to the rules on employment, pay and other personal income:

- *Public Servants Act*: a public invitation did not include all conditions for allocation to work post as defined by the systemisation or the conditions were extended referred to qualifications; there was no public invitation; the equality of candidates was not provided for; the contract did not include reference to bonuses; the public servants were employed that did not fulfill the conditions;
- *Labour Relations Act*: public servants were allocated to work posts for which they did not fulfill the conditions;
- *Pay System in the Public Sector Act*: an employee was incorrectly allocated to payment class; incorrectly defined basic pay; there were no conditions for monitoring the calculation of the funds for minimising the wage disparities; they did not provide for the committed use of the funds and transparent reporting to the trade unions on the collected, used funds for minimising the wage disparities;
- *External Affairs Act*: a public servant was employed that did not fulfill the conditions;
- *Decree on pay and other income of the public servants working abroad*: incorrectly accounted bonus for work period;
- *Decree on criteria for defining status bonus for public servants*: unduly paid bonus;
- *Decree on procedures for allocation to work post in the bodies of the state administration and judicial authorities*: the statements of the public servants were not reviewed;
- *Decree on internal organisation, systemisation, work posts and titles in the state administration and judicial authorities*: public servants were allocated to work posts for which they did not fulfil the conditions;
- *Rules on promotion of employees in the public administration*: public servants were allocated too high or incorrect quotient;
- *Rules on diplomatic exam*: a public servant was employed that did not obtain appropriate certificates.

Discrepancies referred to rules on budget realisation:

- *Public Finance Act*: when carrying out payments the legal basis were not reviewed; the payments had no basis in the bookkeeping; a contract was made before all conditions of public procurement were met; Public procurement was awarded without a contract or a contract was made after the award of the public procurement; liabilities were undertaken but were not foreseen in the financial plan; undertaken liabilities were incorrectly presented; services were paid even though they were not vital for the operation of the entity; unauthorised payment; the principles of intentional use of funds, efficiency and economy were not respected; multilateral contracts were not made; they set up and financed institutions; purchase price from sale of the investment transaction of the state into Slovene Steel Industry was used for capital increase of a bank NLB; bank NKBM had capital increase without governmental decision; a company D.S.U. carried out services for the state without a contract; the

costs of the services of the company D.S.U. were not reviewed; payment claim to D.S.U. from the purchase price of the sale of the shares of Slovene Steel Industry was converted into non-cash contribution of the state into D.S.U.; the company Hidrotehnik water management was sold without an appraisal or a sale programme; the transfer of the company Steklarska nova, glass manufacture Rogaška Slatina to the Kapitalska družba was enabled; start-up capital was paid for the regional institution – centre for the development of e-management; no guarantees of the state loans; in managing the state debt the debt and costs of the debt were increased; liabilities were undertaken and paid from the budget, the digitalisation of the Slovene television operator without legal basis; the state guarantee was issued to the Slovene Railway Company without valid legal basis;

- *Act on the implementation of the state budget for 2007 and 2008*: liabilities were not settled in time limits as prescribed by legislation;
- *Act on the natural disaster recovery*: the scope of allocated funds was not reviewed, the funds were not provided;
- *Act regulating the Guarantee of the Republic of Slovenia for loans raised by DARS for the implementation of the motorway construction from national programme in the amount of 360 million Euros*: the loans raised by DARS were not guaranteed;
- *Act Regulating the Guarantee of the Republic of Slovenia for loans raised by DARS for the implementation of the motorway construction from national programme in the amount of 1.030,15 million Euros*: the loans raised by DARS were not guaranteed;
- *Act Regulating the Guarantee of the Republic of Slovenia for loans raised by the University of Primorska for co-financing of the expansion and modernisation of premises*: the loans raised by the University were not guaranteed;
- *Decree on the way of regular maintenance of the state roads*: the concession for commercial public service of maintenance of the state roads was not awarded;
- *Decree on the concession for implementation of the mandatory state commercial public services on the area of water management*: the fulfillment of the conditions for undertaking a concession was not reviewed;
- *Decree on the unification of the registration of the Republic of Slovenia as legal entity in the register of companies and in the share register*: the government did not provide for the entity of the State's ownership in the register of companies;
- *Rules on the implementation of the state budget*: a new budget line was opened for capital increase of the bank NLB without fulfilling the prescribed conditions; in a year the recorded liabilities were undervalued.

Discrepancies referred to rules on public procurement:

- *Public Procurement Act*: liabilities were undertaken but they were not a subject of a contract, a contract was made without the prescribed public procurement procedure; the changes of the public invitations were not published on time; the limits for annex were exceeded; the procedure did not begin with the decree on the commencement of the procedure; the economical use of the public funds was not provided for; the responsibilities of public procurement procedure were transferred to private law entities; incomplete and inappropriate bids were not rejected.

Discrepancies referred to rules on transfer allocation:

- *Public Finance Act*: there was no control over the operations of the legal entities; the financial plan was not adopted on time;
- *Decree on the implementation of the procedures in the use of the European Cohesion Fund in the Republic of Slovenia in the programming period 2007–2013*: projects were not appropriately reviewed; there were no measures

listed; the decree was issued before the decision of the committee; the compliance of payments with regulations was not reviewed;

- *Decree on implementation of the procedures in the use of structural funds of the Republic Slovenia:* the measures and the use of measures were not explained in the public invitation to bidders;
- *Decree on measures of the 1st, 3rd and 4th axes of the Development programme of the development of the rural area in the period 2007–2013:* the bids were not assessed in order of arrival;
- *Decree on public financing of higher education and other institutions, members of universities from 2004 to 2008:* there was no control over the operations of the institutions;
- *Decree on the implementation of the financial support for preservation and development of Slovene identity abroad:* the use of measures was not explained in the public invitation to bidders;
- *Decree on methodology for defining basis for calculation of funds for implementation of public service on the area of culture:* no evident way of defining the scope of funds for programme material costs to public institutions, public funds, and agencies on the area of culture;
- *Rules on public call and public invitation:* a contract was made even though the report or final proposal of the committee did not include all explanations for proposed approval of the programme.

Audits of the local communities

In 2009 the Court of Audit implemented 17 audits on the local communities' operations. It issued ten audit reports; one of them covered the operations of ten municipalities and a ministry. Therefore the Court of Audit expressed opinions on the operations of 19 municipalities and one ministry. In three cases the audit objective was to express an opinion on the regularity of operations of municipalities; in six cases the audit objective was to express an opinion on the performance of operations and in one case (debts) the audit objective was to express an opinion on the regularity of operations of 10 municipalities and on performance of operations of municipalities and a ministry.

Two reports were referred to the complete business operations of municipalities, the rest of them were referred to a certain part of their operation; i.e. 6 reports reviewed maintenance of the roads, one report reviewed the debts and one report reviewed 10 different areas of business operations. Apart from audits there were also post-audit audit procedures implemented. In 2009 there were 6 post-audit reports issued, namely 5 were referred to audits that were completed and reports issued in 2008 and one was referred to the audit that was completed and the report issued in 2009.

Table 4 presents issued audit reports, underlying opinions and demands to present response reports.

Table 4: Issued audit reports, audit opinions, demands to present response reports and sufficiency of the measures

Audit report	Opinion on the performance audit	Opinion on the regularity of operations	Response report/sufficiency of the measures
Operations of municipality Kamnik		opinion with reservations	necessary
Operations of municipality Velenje		opinion with reservations	not necessary
Operations of municipality		opinion with reservations	not necessary

Audit report	Opinion on the performance audit	Opinion on the regularity of operations	Response report/ sufficiency of the measures
Ljubljana			
Debts of municipalities (Municipality Gornji Grad, Municipality Gornji Petrovci, Municipality Štore, Municipality Kuzma, Municipality Lovrenc na Pohorju, Municipality Miklavž na Dravskem polju, Municipality Muta, Municipality Murska Sobota, Municipality Radlje ob Dravi, Municipality Šmarje pri Jelšah, Ministry of Finance)	opinion in a form of a conclusion	Municipality Gornji Grad/ negative opinion Municipality Gornji Petrovci/ negative opinion Municipality Štore/ negative opinion Municipality Kuzma/ opinion with reservations Municipality Lovrenc na Pohorju/ positive opinion Municipality Miklavž na Dravskem polju/ positive opinion Municipality Muta/ opinion with reservations Municipality Murska Sobota/ positive opinion Municipality Radlje ob Dravi/ positive opinion Municipality Šmarje pri Jelšah/ positive opinion	Municipality Gornji Grad necessary/measure satisfactory Municipality Gornji Petrovci necessary/measure satisfactory Municipality Štore necessary/measure satisfactory Municipalities Kuzma, Lovrenc na Pohorju, Miklavž na Dravskem polju, Muta, Murska Sobota, Radlje ob Dravi, Šmarje pri Jelšah/ not necessary
Maintenance of the roads in municipality Laško	opinion in a form of a conclusion		not necessary
Maintenance of the roads in municipality Juršinci	opinion in a form of a conclusion		not necessary
Maintenance of the roads in municipality Črna na Koroškem	opinion in a form of a conclusion		not necessary
Maintenance of the roads in municipality Podvelka	opinion in a form of a conclusion		not necessary
Maintenance of the roads in municipality Križevci	opinion in a form of a conclusion		not necessary
Maintenance of the roads in municipality Kozje	opinion in a form of a conclusion		not necessary

All audit reports are available to the public in Slovene language on the web pages of the Court of Audit, <http://www.rs-rs.si>.

In 2009 the Court of Audit issued two reports that presented the complete operations of the municipalities. The findings of them showed that the scope of the material irregularities on the area of business operations was reduced compared to previous years. Namely, areas of public procurement, transfers, managing assets, pay. One report presented a part of the business operations of the largest Slovene municipality - Municipality Ljubljana. The review included some areas of business operations for the first time; i.e. municipal taxes (use of public green areas for commercial operations), donations, budgetary funds, public-private partnership, relations between the municipality and public institutions referred to work performance. Material irregularities that were disclosed are the following: public procedure of awarding the green area for commercial operations of catering, public procedure of awarding the public-private partnership, transfer of funds from the budget to a fund, weak controls over the business operations of the public institutes, not implementing the decree on operations of one public institute. The report also pointed out insufficient legislation referred to public procurement procedures of awarding public areas with a status of public good and legislation referred to increased scope of work (annual work performance in 2008 represented 405 monthly or 34 annual pays of the payment class 33). The Court of Audit paid attention to the project of public-private partnership and presented the following risks: the selection of the private partner in the procedure of the competitive dialogue was implemented before the public partner found a solution appropriate for its objectives; there was a risk that projects became more expensive due to some proposed solutions. The municipality did not prepare the analysis of management the football stadium and of sports facilities with specified costs, sources of financing, and managers of the buildings.

In 2009 the Court of Audit continued with the implantation of the cross-sectional audits (debts of the municipalities, maintenance of roads) that provided for review of a certain part of operations of municipalities, assessing best practice and weaknesses of legislation.

The Court of Audit carried out a cross-sectional audit of incurring debts that was introduced due to the trend of increasing level of debts in municipalities. Even though the scope of debt of municipalities in 2007 represented less than 3 per cent of the public debt, the total debt of all municipalities in the Republic of Slovenia per citizen amounted to 137 Euros as of 31 December 2006 and already to 222 Euros as of 31 December 2008, i.e. it increased for 62 per cent. The regularity and performance audit of the municipalities referred to debt and contractual relations (incurring debts of 31 December 2006 and 31 December 2007) included 10 municipalities. The audit also reviewed the Ministry of Finance. The Court of Audit expressed a positive opinion on the regularity of business operations referred to debts of 5 municipalities; to 2 municipalities it expressed an opinion with reservations and to 3 municipalities a negative opinion. The most important audit findings of the audit were: exceeding the legally defined limits, guarantees were issued to legal entities without legal basis; when making contracts on loans the municipalities did not follow the regulations on public procurement; hiring loans and making contracts on financial lease without an agreement of the Ministry of Finance.

The Court of Audit reviewed the performance of business operations and pointed out: incomplete planning of incurring debts (cost-benefit), no register or list of legal entities of public sector, no list of made contracts on debts of legal entities of public sector; no business records supported by the electronic data base (source of data for reporting); financial statements did not include complete aspects of debts. The Court of Audit explained to the Ministry of Finance that legislation (2006 and 2007) was not a good basis for procedures of incurring debts, since provisions referred to that area were disbursed in 3 acts, the procedures of obtaining the approval of the Ministry of Finance were prescribed only for long-term loans (not for financial lease and commodity credits); in 2006 and 2007 the legalisation did not present a

systematic base for reporting, since it did not provide for the responsibilities for developing a register or a list of all legal entities of public sector; without such a register the reporting cannot be complete. The regulations did not define that municipalities must submit to the Ministry of Finance a balance sheet to be used as a source of control data. The Court of Audit assessed that the Ministry of Finance in providing for completeness and correctness of data was not efficient, since their registers were not complete and correct. The system of reporting on debts was based on delivering data in print and on manual entering of data into business records of the Ministry of Finance. Therefore the risk of errors was high and the procedure was also time consuming. The Court of Audit also assessed that the Ministry of Finance in monitoring and controlling the debts of municipalities was not effective.

Audits of non-commercial public services and associations

Audit department that implements audits of public institutions (Health Insurance Institute, Pension and Disability Insurance Institute) and associations issued 14 reports in 2009. Audit objectives in 3 audits were to express an opinion on the financial statements and on regularity of business operations. Audit objectives in 5 audits were to express an opinion on the regularity of business operations; in 6 audits to express an opinion on the regularity as well as performance of their operations. The Court of Audit expressed 2 opinions on financial statements both with reservations; in one case it rejected to express an opinion. It also expressed 14 opinions on regularity; i.e. 2 positive opinions, 9 opinions with reservations and 3 negative opinions. It issued 6 opinions on performance of business operations all were referred to cross-sectional audit on councils of public services (health and social security).

The audit reports issued in 2009 disclosed irregularities in pay allocation and other costs of work. Namely, most common irregularities were referred to bonuses to pay: bonuses were allocated but not appropriately defined according to legislation; bonuses were defined contrary to conditions prescribed by contracts or acts; bonuses were accounted in amounts and in ways contrary to regulations, contracts or basis exceeded the definitions in contracts.

Furthermore there were irregularities referred to the Employment Act. It is necessary to stress the following: not authorised contracts of civil law were made when employment elements were evident, violations of provisions of over full-time work period (not meeting conditions or written authorisation and limits of over full time work period). There were also violations of legislation referred to meeting conditions for allocating to work posts. Public servants act was violated in the following examples: when employees' rights were approved in larger scope than defined by legislation, employees were allocated to work posts that were not listed in their internal acts. Auditees remedied most of the irregularities during the audit process or in the post-audit procedure. The remedial measures were referred to compliance of payments to legislation, and adoption of internal regulations.

Another important area is public procurement. The Court of Audit found out that the number of violations and irregularities increased form year to year. Namely, procedures of public procurement were not implemented in line with the legislation, selection of inappropriate procedure, and inappropriate definition of value; thus contributing to less transparent procedures. There were irregularities disclosed in purchase of goods – changes of prices or other conditions of purchase that were not included in the public invitations. On the area of public procurement most activities or procedures implemented by auditees were related to providing transparency of the use of public funds. The Court of Audit assessed remedial measures as sufficient if the auditees started the activities for economic and efficient use of public funds.

Among the outcomes of the audit work on the area of non-commercial public services and associations were many corrections of the financial statements that were necessary due to found errors. Material errors of the financial statements that were corrected during the audit process were the following:

- inappropriate and lacking presentation of the tangible fixed assets and commitments;
- not presenting the values of land and assets managed by the institutions; thus undervalued assets;
- incorrectly presented earmarked funds, among short term liabilities instead among the commitments;
- incorrectly accounted amortisation and incorrectly presented value of underlying assets and commitments;
- the fund of assets was overstated and the provisions of expenditures were understated due to incorrect compensation of costs of amortisation of fixed assets from donations;
- not defined measures for dividing income and expenditures between the public service and commercial activities.

The Court of Audit implemented audits of operations of two foundations that showed weaknesses and irregularities in their operation, namely: financing and co-financing of socially beneficial activities. The audit findings were referred to not following internal acts on the use of funds (measures and conditions); instructions for the use of measures in assessing annual working programmes of the organisations that applied to published public invitations; non-transparency (not explaining how the rules and instructions were used in assessing the applications). The internal acts of foundations did not provide for such measures, criteria and standards to enable unified approach and transparent allocation of funds to all interested users. The recommendations of the Court of Audit were: to develop measures for more objective assessment and evaluation of applications by using appropriate methodology, and to achieve transparency of operation by publishing valid methodology of assessing the applications in the public invitation to bidders.

The Court of Audit also implemented a cross-sectional audit on operations of the institutes' councils (in 3 health centres and in 3 social welfare institutions) in order to find out material irregularities, weaknesses and inefficiencies in their operations and to present best practice. The Court of Audit wanted to point out the importance of the institutes' councils as strategic bodies of management, since they have responsibilities on the area of labour legislation, responsibilities for regularity and performance of the institutes' operations; active participation of all members; and to point out the role of founders of the public institutes.

The outcomes of the audit were some improvements of the operations of the councils that were adopted during the audit process. Namely, the institute reviewed the users' level of satisfaction with the services provided by undertaking questionnaires; the council adopted a decree on active participation of all members (if a member did not attend two consecutive meetings without a justified reason, the council can propose to the ministry his replacement); the council adopted a decree that services must develop material for reviewing the implementation of measures for defining bonuses for work performance of directors; the council adopted a strategy and vision of health care activities on the primary level in municipalities.

Issued audit reports:

- Regularity audit on operations of the Sports Foundation,
- Financial statements and regularity of operations of the Home for the Elderly Rakičan,
- Regularity audit on operations of the Health Insurance Institute of the Republic of Slovenia – recovery of funds,
- Financial statements and regularity of operations of the Slovene Standardisation Institute,
- Regularity audit on operations of the Pension and Disability Insurance Institute of Slovenia,

- Financial statements and regularity of operations of the students home Celje,
- Regularity audit on operations of the Clinic Centre Ljubljana,
- Operations of the council of Health Centre Ljubljana,
- Operations of the council of Health Centre Trbovlje,
- Operations of the council of Health Centre Basic health prevention Nova Gorica,
- Operations of the council of Centre for training, work and welfare Dolfka Boštjančič, Draga,
- Operations of the council of Centre for the blind, the partially sighted and the elderly Škofja Loka,
- Operations of the council of Institute Hrastovec-Trate,
- Joint report - Concession awarding in the primary health care services.

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Audits of commercial public services, public funds and agencies, privatisation and environment protection

Audit department B4 covers the following areas: commercial public services, commercial companies owned by the state or municipalities, privatisation and environment protection. Authority for the implementation of audits of public funds and agencies was in 2009 allocated to audit department B6 due to more balanced implementation of audit tasks.

In 2009 this audit department implemented 22 audits. By the end of 2009 it issued 12 audit reports, 10 audits should be completed in 2010. The issued audit reports expressed opinions on regularity and performance of 33 auditees. Namely, on the regularity of operations to 12 auditees (in 5 audit reports), on the performance of operations to 29 auditees (in 10 audit reports), in 3 cases both opinions were expressed. Audits on financial statements were not carried out, since most of the above listed auditees had to present the results of the external annual audit of their financial statements. In 2009 the Court of Audit issued 11 post-audit reports, i.e. one of them was referred to the audit report issued in 2008 and 10 of them were referred to the audit report issued in 2009.

Issued audit reports:

- Audit report on the performance and financing of the motorway construction programme in the Republic of Slovenia from 2004 to the end of 2007. Audit was implemented at the Ministry of Traffic and company DARS;
- Audit report on the performance of operations of the Government, the Ministry of Economy and company SODO in managing the commercial public service of operator of electric energy network in 2007;
- Audit report on the performance of managing the separate collection of waste in the Republic of Slovenia from 2005 to the end of 2007. Audit was implemented at the Ministry of Environment and six service providers (commercial public service of collection and transport of waste);
- Audit report on the regularity and performance of managing waste tyres in the period from 1 January 2004 to 31 December 2007. Audit was implemented at the Ministry of Environment and six concessionaires that implement commercial public service;
- Audit report on the regularity and efficiency of operations in managing public green areas in 2007. Audit was implemented at five municipalities;

- Audit report on the performance of managing unauthorised/illicit waste pits in the period 2006-2007 in six municipalities;
- Audit report on the performance of stopping the process of winding up of the company D.S.U. in 2007. Audit was implemented at the company D.S.U., Government and the Ministry of Finance;
- Audit report on the performance of operations of the Slovene Indemnity Company, Ljubljana in settling the liabilities from 2004 to 2007;
- Audit report on the performance of operations of the Slovene Indemnity Company and the Ministry of Finance in purchase of rate bonds of the SOS2E in period from 1 January 2001 to 30 June 2008;
- Audit report on the regularity and performance of operations of the National Film Fund – public fund and the Ministry of Culture in implementing the film programme for 2007;
- Audit report on the regularity of operations of the First Pension Fund in the Republic of Slovenia in 2007;
- Audit report on the regularity of operations of the First Pension Fund in the Republic of Slovenia in 2008.

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Audit department B4 prepared (alone or in cooperation with other departments) several responses to questions posed by auditees; it proposed changes to operations of commercial public services and commercial companies owned by the state or municipalities; or gave solutions to accounting of the legal entities and cooperated at workshops by presenting audit findings and recommendations.

International audits on environmental protection

International audit on climate changes and on meeting the objectives of the international conventions

Due to risks associated with climate changes and on the basis of the implemented audits (in 2005 and 2006) on achieving the objectives of the international agreements on air pollution preventions, protection of ozone layer and preventing climate changes, the Court of Audit decided to cooperate in a group of 14 Supreme Audit Institutions (SAI of Australia, Austria, Brasilia, Canada, Estonia, Finland, Greece, Indonesia, Norway, Poland, Slovenia, South Africa, the United States of America and the Great Britain).

The group developed an extensive audit report on managing climate changes that shall be issued at the end of 2010.

Performance Audits

Audit department B5 implements performance audits and audits of information systems. In 2009 the department completed four audits and issued two post-audit reports; it was carrying out 12 audits. It shall issue 6 audit reports in the first half of 2010.

The Court of Audit reviewed 30 auditees by implementing 12 audits. The response-reports were demanded in 3 cases out of four. In 2009 the Court of Audit received 2 out of 3 demanded response

reports containing 8 remedial measures. The auditees implemented 3 remedial measures in a satisfactory manner, 4 remedial measures were partially satisfactory and one was not satisfactory. The Ministry of Culture was issued a call on violation of operational efficiency due to not satisfactory remedial measure. Furthermore, 4 audit reports presented 50 recommendations for more efficient and effective operations. The audits implemented in 2009 differed in content, work area and audit approach. The typical characteristic of those reports was a good response and interest of auditees and the public referred to audit findings and recommendations.

Issued audit reports:

- Performance audit on the co-financing of media by the State;
- Audit on the efficiency and regularity of operation of the information system of the Health Protection Institute;
- Audit on managing the area of cancer treatment;
- Audit on managing the area of medical products in Slovenia.

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Other activities

In 2009 most auditors of this department were included in the training for obtaining titles: state auditor or certified state auditor. All of them were awarded the audit titles. Most of the rest of the auditors of this department were involved in training as lecturers.

The review of the outcomes of the performance audits showed that the past work implemented by auditors brought results. Personnel (IT audits), obtaining additional skills, professional development, methodology, ways of communicating with the auditees and the public brought results, i.e. the audit reports were not only widely acceptable but caused systematic changes in the operations of the auditees.

Auditing of the European funds

In 2009 the Court of Audit continued with auditing of the use of the European funds by the Republic of Slovenia. The audits implemented in the first half of 2009 reviewed key risks for efficient use of the European funds, i.e. to disclose weaknesses and to assess how to improve systems and operations of key institutions. The objective of the audits was to timely address the weaknesses and by measures and recommendations provide for amendments of systematic errors, find better solutions and therefore meet the expectations that the State improves possibilities for the implementation of the national development plans by using the European funds.

The managing of the European funds undergoes at least two types of the control; national and European. Implementation of the European control system over the use of the European funds by the Member States is carried out also by the so called systems of control - review of the eligibility for payment before the actual payment is made. The appropriateness and efficiency of systems of control are key information for efficient disbursement of the EU funds. The audit on the control over the payments from the EU funds showed some weaknesses that had to be remedied, and some ways of improvements that were proposed in a form of recommendations.

The operations of the system of the use of the EU funds for the purposes of meeting the development objectives of the Republic of Slovenia were reviewed by the audit on reconstruction of castles. The audit showed a complete picture of system's operation; it also showed non-efficiencies and inappropriate activities, therefore the Court of Audit demanded corrective measures to be implemented by the responsible institutions on all levels.

Active and effective cooperation of the Court of Audit in different international working groups left a strong impact on the audit work in 2009. Namely, three audits were carried out in close cooperation with the Supreme Audit Institutions of the Member States and other European states.

Continuation of the programme of the complete review of the disbursement of the EU funds was a logical and effective decision. In 2009 the rule n+2 (sometimes n+3) that provides for the use of funds two or three years after the completion of the programming period was concluded, and programming period 2004-2006 was completed in the financial aspect, thus the Court of Audit decided to start such a review. The auditors tried to consider the proposal of the international working group that includes 17 Supreme Audit Institutions and that promotes the practice of regular and complete reporting of the national Supreme Audit Institutions on the use of the EU funds and implementation of the programmes that were co-financed from the EU funds and furthermore demand from the national governments to become even more responsible for transparent, efficient and effective use of the EU funds.

The Court of Audit is a member of the international working group on costs of control therefore it cooperated in the preparation of the detailed plan of the working group that includes 14 states. The audit objective was to present the complete picture on the actual costs of controls that were implemented in the procedures of obtaining funds from the EU budget and in realisation of the EU policies.

The issues of conceivably extremely rigid, time-consuming, costly but not very efficient controls that are demanded by the European Commission in the procedures of funds allocation became so pressing that every Member State wants to have an insight into the efficiency and effectiveness of the controls. The audit is interesting also due to national dimension, since it provides an opportunity for drawing a complete picture of the number, costs, and efficiency of controls that have been implemented in the Republic of Slovenia. Those data could be helpful to all institutions involved in the planning and assessing of their work.

The third project of auditing of the disbursement of the EU funds is an international parallel audit of four Member States, namely the audit of the so-called 5th all-European transport corridor. The audit reviews the construction of the railway line from Lyon to Kiev that crosses the Slovenian territory. The proposal is a good frame for the broader analysis of implementing the national transport railway policy and its key projects. The audit findings could contribute to further development of the area.

During 2009 the audit department was allocated additional tasks, i.e. operations of public funds and agencies. The auditors commenced two audits on promoting research activities and technological development; and on the area of employment of the disabled.

Department B6 issued three audit reports and one post-audit report in 2009:

- Audit report: Renovation of the castles by using the EU funds,
- Audit report: Lisbon Strategy on the area of research and development,

- Audit report: How the EU payments are reviewed,
- Post-Audit report: Remedial measures of the Ministry of Finance referred to the EU funds presented in the financial statements of the State budget.

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SOURCES USED FOR ACHIEVING THE OBJECTIVES

Financial sources

In the adopted budget of the Republic of Slovenia for 2009 (Official Gazette of the RS, no. 114/07) there were funds allocated for the operations of the Court of Audit in the amount of 6,829,985 Euros. These funds also included the planned earmarked funds in the amount of 1,230 Euros.

In the first half of the year there were two amendments of the state budget due to economic circumstances (published in the Official Gazette of the RS, no. 26/09 and the Official Gazette of the RS, no. 59/09). The revised budget allocated to the Court of Audit represented the funds in the amount of 6,868,994 Euros. The Government adopted a decree no. 41012-22/2009/5 of 15 July 2009 in order to reallocate the funds for reducing wage disparities from the budget line of the Ministry of Public Administration to the budget line of the Court of Audit (in the amount of 106,938 Euros).

The valid budget for 2009 amounted to 6,976,172 Euros, i.e. 1,470 Euros represent the earmarked funds. The Court of Audit used 6,768,345 Euros; the implementation of the financial plan compared to the valid plan represented 97 per cent, compared to the adopted plan represented 98,53 Euros.

On the basis of the comparison of the expenditures with the valid financial plan it can be concluded that in 2009 there were no major discrepancies between the planned and used funds. Compared to previous year, the Court of Audit used for 65,635 Euros fewer funds, i.e. for one per cent lower use of funds.

Table 5: Realisation of expenditures in 2009 compared to the adopted financial plan (revised budget - in column 2) with the valid financial plan (column 3)

Title	In Euro				
	Financial plan	Valid financial plan	Expenditures 2009	Index	Index
	1	2	3	4	5=(4:3)*100
Pay	4.607.798	4.696.951	4.618.075	98,32	100,22
Pay and bonuses	4.262.527	4.318.265	4.243.668	98,27	99,56
Pay for annual leave	91.392	91.392	90.776	99,33	99,33
Recovery of costs	206.627	206.627	203.697	98,58	98,58
Performance bonus	26.523	30.841	30.782	99,81	116,06
Over time bonuses	994	994	381	38,29	38,29
Other payments to employees	19.735	48.832	48.771	99,87	247,13
Contributions of the employer	731.545	749.330	743.869	99,27	101,68
Contribution to the Pension and Disability fund	380.276	388.787	386.466	99,40	101,63
Health insurance contribution	296.058	304.484	301.874	99,14	101,96
Employment contribution	2.578	2.716	2.554	94,03	99,07
Contributions for parents' security	4.297	4.407	4.258	96,62	99,09
Premium KDPZ	48.336	48.936	48.717	99,55	100,79
Material costs	673.700	673.700	576.321	85,55	85,55
Office supplies and materials and services	180.235	185.235	161.032	86,93	89,35
Specific material and services	20.389	20.389	14.501	71,12	71,12
Energy, water, communal services	84.133	84.133	72.207	85,83	85,83
Transport	37.340	37.340	36.717	98,33	98,33
Expenditures for business trips	119.443	101.443	79.350	78,22	66,43
Routine maintenance	32.515	45.515	41.209	90,54	126,74
Rents and lease	91.945	91.945	80.098	87,11	87,11
Other operative expenditures	107.700	107.700	91.207	84,69	84,69
Investments and maintenance	855.951	856.191	830.080	96,95	96,98

Title	Financial plan	Valid financial plan	Expenditures 2009	Index	Index
1	2	3	4	5= (4:3)*100	6=(4:2)*100
Purchase of buildings and premises	741.221	741.221	741.221	100	100
Purchase of vehicle	1.730	16.970	15.275	90,01	882,95
Purchase of equipment	52.500	50.100	47.989	95,79	91,41
Investments and maintenance		2.400	2.325	96,87	
Purchase of non-material assets	60.500	45.500	23.270	51,14	38,46
TOTAL	6.868.994	6.976.172	6.768.345	97,02	98,53

Balance sheet

Fixed assets

In 2009 there were for 114,293 Euros of new purchases made, out of that 48,314 Euros of property rights, 65,166 Euros of equipment and 813 Euros of small inventory.

The property rights include acquisition of new programme packages and up-dating of the programmes, mainly for completion of the audit reports. The Court of Audit commenced the procedure of signing a new contract Microsoft Enterprise Agreement 6.6 MA and obtained licences for network server in the amount of 38,015 Euros. The value of the programme equipment represented the major part of all purchases made in the 2009.

Among the purchases of equipment there was hardware. The Court of Audit purchased notebooks and classic computers in the total amount of 32,665 Euros. The office equipment represented the amount of 17,226 Euros, the purchase of a vehicle in the amount of 15,275 Euros.

In 2009 the Court of Audit purchased office stationary in the amount of 723 Euros, it received protocol gifts in the amount of 90 Euros.

It was assessed that certain equipment was out of date, damaged or inappropriate for further use, therefore the equipment in the amount of 29,148 Euros was removed from the use, namely used car, inventory, computer equipment.

The value of the intangible assets and tangible assets of 31 December 2009 represented 3,840,984 Euros.

Current assets

The Court of Audit presented in the balance sheet 485,686 Euros of current assets as of 31 December 2009.

They were referred to:

- receivables for accounted and paid wage compensations for the period of implementing tasks referred to civil protection and disaster relief operations to the Municipality Ljubljana (Department for civil protection and disaster relief operations) in the amount of 289 Euros,
- receivables for accounted and not paid wages and taxes for December 2009 and for services provided and for supplies not paid in December 2009 in the amount of 472,995 Euros (out of that 434,245 Euros for pay and taxes, 418 Euros for contributions for employment of the disabled and 38,332 Euros for services and supplies),
- receivables for accounted wage compensations in the amount of 12,402 Euros and receivables for accounted recoveries in the amount of 12,402 Euros.

All listed receivables are presented in the balance sheet as of 31 December 2009, and are payable in 2010.

Short-term financial liabilities

They were referred to:

- liabilities to employees in the amount of 373,245 Euros, referred to pay for December 2009 and recovery of costs for December 2009,
- liabilities to suppliers in the amount of 38,278 Euros (material and services provided in November and December 2009),
- other liabilities from operations in the amount of 61,472 Euros (taxes of pay),
- liabilities from financial lease that are payable in 2010 in the amount of 12,672 Euros,
- preliminary accounted expenditures for imputation in the amount of 289 Euros and accounted compensations of wages for December 2009 in the amount of 12,691 Euros.

All listed liabilities are presented in the balance sheet as of 31 December 2009, and are payable in 2010.

Own funds and long-term liabilities

Within the general fund the Court of Audit presented the fund of tangible and non-tangible fixed assets in the amount of 3,840,984 Euros, reduced for the general fund referred to long-term financial liabilities from business operations - financial lease in the amount of 25,343 Euros for the licence of the software. The Court of Audit recorded in its book-keeping other long-term liabilities in the amount of 12,671 Euros referred to financial lease. The listed liability is payable in 2011.

Employment

There were 132 public employees, including functionaries, at the Court of Audit on 31 December 2009 that means that compared to 2007 the number of employees reduced for two employees.

In 2009 the Court of Audit implemented public invitations for new employees of five officials and one supreme state auditor. Five employees made working contracts with the Court of Audit and seven employees concluded employment contracts. The Court of Audit appointed a Supreme State Auditor. In 2009 the Court of Audit recorded a turnover of 5.3 per cent.

Figure 7: Turnover of the employment in the period 2001-2009

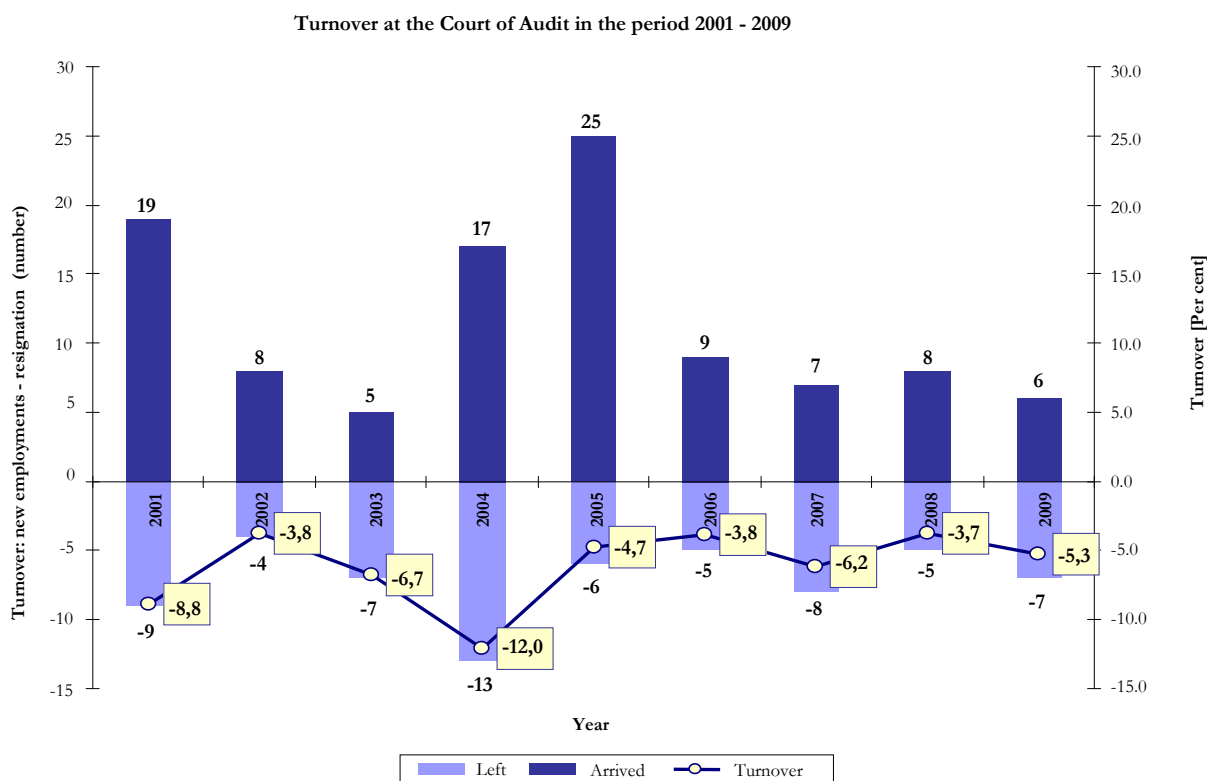


Table 6: The number of employees by work posts

Work sector	No. of employees 31/ 12/ 2008	No. of employees 31/ 12/ 2009
Management		
• members	3	3
• supreme state auditors	6	6
• secretary of the Court	1	1
Total management	10	10
Auditing		
• counsellors	12	12
• deputy supreme state auditors	8	7
• assistant supreme state auditors	16	24
• senior auditing staff members	36	32
• junior auditing staff members	22	18
Total auditing	94	93
Support services		
• head of the cabinet	1	1
• secretaries	11	11
• civil servants in support services	18	17
Total support services	30	29
Total	134	132

Table 7: Staff educational structure

Level of education or professional title	No. of employees 31/ 12/ 2008	No. of employees 31/ 12/ 2009
PhD	2	3
Master's Degree	30	28
University or high education	91	90
Post-secondary education	2	3
Secondary education	9	8
Total	134	132



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