



Revizijsko poročilo

Razvoj podeželja v Republiki Sloveniji

Revizijsko poročilo

Delovanje sveta zavoda Centra slepih, slabovidnih in starejših Škofja Loka

Revizijsko poročilo

Poslovanje Občine Dornava

Revizijsko poročilo

Sinergija-EPD

Revizijsko poročilo

Državno sofinanciranje medijev

Revizijsko poročilo

Evidentiranje nepremičnin v Republiki Sloveniji

Revizijsko poročilo

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Revizijsko poročilo

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Učinkovitost delovanja notranjega kontrolnega okolja na področju strukturnih skladov

Annual Report 2012



Mission

The mission of the Court of Audit is to inform the public about important audit findings from audits of state bodies and other users of public funds in a timely and objective manner. It provides recommendations to state bodies and other users of public funds for the improvement of their operations.



Annual Report 2012

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KEY RESULTS

- **114** ISSUED AUDIT REPORTS
- **19** ISSUED POST-AUDIT REPORTS
- REVIEW OF OPERATIONS OF **169** AUDITEES
- ASSESSMENT OF **68** CORRECTIVE MEASURES
- **50** ADEQUATELY IMPLEMENTED CORRECTIVE MEASURES BY USERS OF PUBLIC FUNDS
- **277** RECOMMENDATIONS PROVIDED TO USERS OF PUBLIC FUNDS
- REQUIREMENTS AND RECOMMENDATIONS FOR THE AMENDMENT OF ACTS AND OTHER REGULATIONS
- **152** WRITTEN RESPONSES TO THE QUESTIONS OF USERS OF PUBLIC FUNDS
- COMPLETION OF THE SECOND ROUND OF REGIONAL CONSULTATIONS WITH THE REPRESENTATIVES OF LOCAL COMMUNITIES
- ACTIVE INTERNATIONAL COOPERATION
- COOPERATION WITH THE NATIONAL ASSEMBLY

INTRODUCTION

For the Court of Audit of the Republic of Slovenia, the year 2012 represents the sixth 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 the year 2012, the Court of Audit was carrying out 216 audits. It issued 114 audit reports, 19 post-audit reports, prepared records on the examination of annual reports about the operations of political parties, two reports on the pre-audit enquiry carried out, 87 draft audit reports and 108 proposed audit reports.

The 114 audit reports issued in 2012 (43 more than in 2011) considered the operations of 169 auditees (79 more than in the previous year). Among the auditees were all the ministries, the Government and governmental services, subordinate bodies, the Health Insurance Institute of Slovenia, the Pension and Disability Insurance Institute of Slovenia, municipalities, public institutes, public companies, funds, agencies, organisers of election and referendum campaigns as well as auditees of other legal forms. The Court of Audit issued 277 recommendations. In 2012, there were 23 audits completed that had the objective to assess the efficiency, effectiveness or economy of operations, which is two more than in the previous year. 17 of those audits were exclusively performance audits while six audits also had the objective to express an opinion on the regularity of operations.

In 19 post-audit reports issued in 2012, the Court of Audit assessed 68 corrective measures. 50 measures were assessed as adequate, 14 as partially adequate while four corrective measures were inadequate.

In the year 2012, the Court of Audit received 387 initiatives for the implementation of audits, which is 65 less than in the previous year. After three consecutive years of upward trend, this means a 14 percent reduction. It namely received 452 initiatives in 2011 and 409 initiatives in 2010 while in 2009 it received 274 initiatives. In 2012, the share of issued audit reports prepared on the basis of audits introduced based on the initiatives by legal entities and natural persons and based on the relevance in the media amounted to 21 percent.

One of the tasks of the Court of Audit is to provide advice to users of public funds on public finance issues and to organise trainings for users of public funds in order to clarify the sound financial management. Therefore the representatives of the Court of Audit participated at various seminars, conferences and workshops with their expert inputs from various fields of public finance. The year 2012 saw the completion of the second round of regional consultations with mayors, directors of municipal administrations respectively entities responsible for the field of municipal finances, the subject of discussion being public finance management in local communities, which started in 2011. The consultations were aimed at exchanging opinions, positions and questions related to public finance

management and to the legislation concerned. Based on the consultations, the Court of Audit issued a report entitled *Report of the Court of Audit on regional consultations with the representatives of municipalities in the period 2011-2012*.

In 2012, the Court of Audit continued with its best practice of developing questionnaires for the members of the Commission for Public Finance Control of the National Assembly of the Republic of Slovenia in considering performance audit reports and in this way promoting the efficiency of their meetings.

There was a training organised in 2012 for obtaining the title state auditor. Based on the internal call, there were six employees included in the training. Five employees successfully completed the training while one contract on education was extended until the end of May 2013. In 2012, three employees were awarded the title state auditor and four employees were awarded the title certified state auditor.

Experts of the Court of Audit actively participate with their inputs in the international working groups on state auditing. They exchange their experience and thus improve the quality of audit reports and promote the coordination of audit methodology at the international level. The international cooperation is becoming stronger also due to the implementation of joint audits carried out by the Court of Audit and other supreme audit institutions.

Tomaž Vesel,
President of the Court of Audit of the Republic of Slovenia

POWERS

The Constitution of the Republic of Slovenia defines in Article 150 that the Court of Audit is the highest body for supervising state accounts, 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 for in the Court of Audit Act, namely to audit operations of users of public funds and to provide advice to them. The Court of Audit with its independence and expertise complies with its statutory obligations in a timely and quality manner and by focusing on material fields in the public sector and more risky fields it tries to promote regularity, efficiency, effectiveness and economy among 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 operations of state bodies and other public funds users in a timely and objective manner. In addition, by drawing on its 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. By disclosing irregularity as well as inefficiency, ineffectiveness and uneconomy, the Court of Audit warns about the responsibility of state bodies and holders of public functions and thus contributes to improvements in the welfare of the citizens of the Republic of Slovenia and the European Union.

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

- Objective 1: to continue to report to the National Assembly 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 implementing audits and to contribute to the reduction of irregularity as well as inefficiency, ineffectiveness and uneconomy 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 the employees of the Court of Audit and to continuously provide for their training and professional qualifications;
- Objective 6: to continually improve the communication strategy and to strengthen the cooperation with others;
- Objective 7: to further improve the institution's work organisation and management.

These strategic objectives were considered in the annual programme of work for the exercise of auditing powers for 2012.

ATTAINMENT OF OBJECTIVES

Strategic objective 1

To continue to report to the National Assembly and the public on the results of auditing public funds timely 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 the state budget (regularity of general government operations);
- the regularity of operations of the public institute of health insurance;
- the regularity of operations of the public institute of pension insurance;
- the regularity of operations of an adequate number of urban and other municipalities;
- operations of an adequate number of commercial public service providers;
- operations of an adequate number of non-commercial public service providers.

Apart from the above listed mandatory audits, the Court of Audit endeavours to implement as many other audits as possible in order to provide the National Assembly and the interested public with timely, reliable and quality information on financial operations, task implementation, achievement of objectives and results, management and internal control. Mandatory are also audits of organisers of election and referendum campaigns. As many as 67 such audits were implemented in 2012.

In 2012, the Court of Audit was carrying out 216 audits (only one less than in the previous year) and issued:

- 114 audit reports (43 more than in 2012),
- 19 post-audit reports,
- records on the examination of annual reports about the operations of political parties,
- 2 reports on the pre-audit enquiry carried out,
- 87 draft audit reports,
- 108 proposed audit reports.

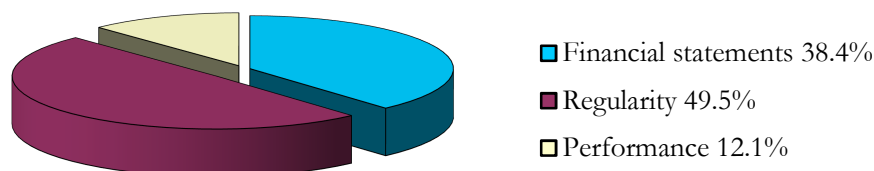
Types of audits

Audits are classified according to the objectives set by the Court of Audit. In 2012, the following audit objectives were defined:

- to express an opinion on financial statements (financial audit);
- to express an opinion on the compliance with the regulations (regularity audit); and
- to express an opinion on the efficiency, effectiveness or economy of operations of users of public funds (performance audit).

Figure 1 illustrates types of audits for which audit reports were issued in 2012.

Figure 1: Types of audits according to audit objectives



The Court of Audit also implements audits where it simultaneously expresses an opinion on two of the above mentioned objectives. Out of 114 audits completed in 2012, 12.1 percent of them had the objective to express an opinion on the efficiency, effectiveness or economy of operations (performance audits); this share declined for the third year in a row, for six percent compared to 2011, mainly on the account of the implementation of mandatory regularity audits of organisers of election and referendum campaigns, the number of which amounted to 67. In 2012, again the largest share of audits was represented by regularity audits (as an individual objective respectively one of two objectives), i.e. 49.5 percent of all audits. This share is comparable to the year 2011, when it was 47.4 percent. There were two audits with a single objective to express an opinion on financial statements. The total share of such audits (as an individual objective respectively one of two objectives) amounts to 38.4 percent, which is four percent more than in the previous year (34.5 percent). For the third consecutive year, the increase in the share of these audits can be attributed to mandatory regularity audits of organisers of election and referendum campaigns.

77 audits (32 more than in the previous year) had two audit objectives, namely to express an opinion on financial statements and on the regularity of operations respectively to express an opinion on the regularity of operations as well as on the efficiency, effectiveness and economy of operations. There were 37 audits with one objective only.

In 2012, there were 23 audits completed that had the objective to assess the efficiency, effectiveness or economy of operations, which is two more than in the previous year. 17 of those audits were exclusively performance audits while six audits also had the objective to express an opinion on the regularity of operations. Performance audits were audits of operations of non-commercial public service providers, commercial public service providers, individual ministries and other users of public funds. Audits with the sole objective to assess efficiency, effectiveness or economy of operations, represent 14.9 percent of all reports issued in 2012, which means that the share from the year 2011, i.e. 22.5 percent, was reduced by eight percent. For the third consecutive year, this is mainly a consequence of an unexpectedly high number of election and referendum campaign organisers.

Timeliness and quality of audit reports

Timeliness of an audit report is the most important and easy measurable element in a mandatory regularity audit of the implementation of the state budget, since the time limit for its completion is defined by the Public Finance Act. It is also the most extensive audit of the Court of Audit. Therefore its implementation and timeliness were given a lot of attention and audit work. Audit report on the Proposal of the annual financial statement of the state budget for 2011 was issued within the time limit defined by the Public Finance Act.

The year 2012 saw the issue of 67 regularity audit reports concerning the financing of election and referendum campaigns:

- Legislative referendum on the Pension and Disability Insurance Act (**25 audit reports issued**);
- Legislative referendum on the Prevention of Illegal Work and Employment Act (**10 audit reports issued**).
- Legislative referendum on the Mini Jobs Act (**11 audit reports issued**);
- Legislative referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act (**11 audit reports issued**);
- Early elections to the National Assembly of the Republic of Slovenia in 2011 (**10 audit reports issued**).

These are mandatory audits, for which audit reports were issued within the defined time limit, 10 months after the elections respectively referendum took place. This means that the objective of timeliness of mandatory audits was met in its entirety or even beyond.

Time limits for the issue of other mandatory audit reports are not defined, nevertheless the Court of Audit endeavours to issue audit reports of interest for the public; this is defined in more detail under the strategic objective 2, which is discussed in the continuation of this report.

Quality of audit reports is provided by the internal quality assurance process and statutory procedures. Therefore each detailed audit plan, draft audit report and proposed audit report is reviewed by the advisers to the Deputy Presidents and, where necessary, by the legal department. They mainly examine compliance with auditing standards and regulations. Before a final audit report is signed by the President, it is also reviewed by the editorial board for its linguistic, legal and audit appropriateness. The quality assurance is promoted also by a clearance meeting as defined by the Court of Audit Act. At the clearance meeting, an auditee may file an objection against any audit finding in a draft audit report or give additional explanations. No clearance meeting is necessary if the auditee notifies the Court of Audit in writing that no finding in the draft audit report is challenged. If 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 both Deputy Presidents, decides on any disputed finding in the proposed audit report and its 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 prepares a programme of work for the exercise of auditing powers of the Court of Audit of the Republic of Slovenia (hereinafter: programme of work for the exercise of auditing powers), which indicates audits that are planned for the year concerned. When defining the Annual programme of work, the Court of Audit, aside from its statutory obligations, considers the materiality of users of public funds as well risk of irregular or unsound operations in respect of budget volume, control over the use of public funds, possible outputs of audits and initiatives received from the National Assembly and individuals, current lack of auditing and current media publications. Since the circumstances alter during the implementation of the Annual programme of work for the exercise of auditing powers, the Court of Audit corresponds to those changes and revises the programme if necessary. Namely, in 2012 the Court of Audit additionally included 40 audits in the Annual programme of work for the exercise of auditing powers as the response to new circumstances, which is ten more than in 2011; and 24 audits were excluded from the programme of work for the exercise of auditing powers, which is 11 more than in 2011. As many as 27 out of 40 audits initiated during the year 2012 concern referendum campaign organisers.

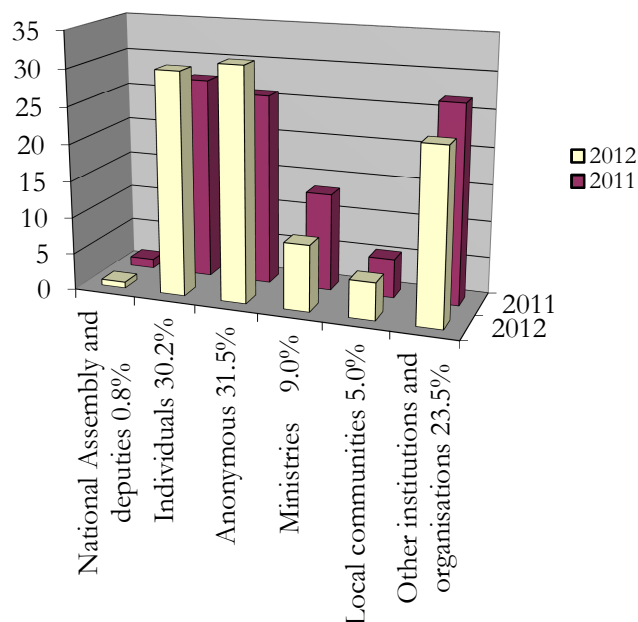
Received initiatives for auditing

In the year 2012, the Court of Audit received 387 initiatives for the implementation of audits, which is 65 less than in the previous year. After three consecutive years of upward trend, this means a 14 percent reduction. It namely received 452 initiatives in 2011 and 409 initiatives in 2010 while in 2009 it received 274 initiatives.

In 2012, the share of issued audit reports prepared on the basis of audits introduced based on the initiatives by legal entities and natural persons and based on the relevance in the media amounted to 21 percent.

The most initiatives (122) were made by anonymous initiators who in the previous years had been classified third among groups of proposers, yet the number of their initiatives had been increasing with each year (117 in the year 2011, 97 in the year 2010). The second highest number of initiatives came from individuals respectively groups of individuals who made 117 initiatives, which is a slight decline but still comparable to the previous year (124 in the year 2011). Various legal entities (companies, institutions, public companies, institutes, societies and associations) made 91 initiatives, which is 30 less than in 2011. Included in this number are also 40 initiatives by the Commission for the Prevention of Corruption (66 initiatives in 2011). No initiative for the implementation of an audit was made by the Prosecution Service. The National Assembly made three initiatives, which is half as many as in 2011. Governmental offices, ministries and subordinated bodies of the ministries made 35 initiatives, which again is almost half as many as in the previous year (60), including seven initiatives made by Tax Administration of the Republic of Slovenia (two more than in 2011) and four initiatives made by the Police (10 less than in 2011). Local community authorities delivered 19 initiatives (five less than in 2011). The highest share of initiatives is related to proposals for auditing local communities (180) and to proposals for auditing non-commercial public service providers and societies (94 initiatives). The share of initiatives by individual submitters in 2012 and comparison to the year before is illustrated in Figure 2.

Figure 2: Initiatives for the implementation of audits by submitters in 2012 and comparison to 2011



Pre-audit enquiries

The Court of Audit Act provides for the conduct of a pre-audit enquiry. The Court of Audit may, prior to the commencement of an audit, demand from 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 performing the audit. Due to urgent issues arising from the activities of the public sector, the Court of Audit in 2012 initiated two pre-audit enquiries and issued two reports on the pre-audit enquiries implemented. A report on the implemented pre-audit enquiry includes a risk assessment and a proposal whether the audit should be included or not in the programme of work for the exercise of auditing powers. Based on the two pre-audit enquiries implemented in 2012, there were two audits initiated by the Court of Audit in 2012, i.e. Utilization of Research Equipment and Public-Private Partnership for the Project Upgrading and Automation of Road Traffic in the Municipality of Maribor.

Initiatives received from the National Assembly

In 2012, the Court of Audit received three initiatives made by deputies of the National Assembly of the Republic of Slovenia respectively Commission for Public Finance Control, which is half as many as in 2011.

Table 1: Proposals for the implementation of audits, received in 2012 from the National Assembly of the Republic of Slovenia

Seq. No.	Submitter	Description of proposal
1.	Commission for Public Finance Control	Performance audit of purchases and utilization of IT equipment (hardware and software) in the public administration
2.	Commission for Public Finance Control	Frequent audits of the greatest possible number of municipalities with an emphasis on the regularity and efficiency of the management of tangible assets
3.	Matevž Frangež, deputy of the National Assembly of the Republic of Slovenia	Audit of the legality of public-private partnership for the project upgrading and automation of road traffic in the Municipality of Maribor

The Court of Audit included the initiatives made by deputies of the National Assembly of the Republic of Slovenia respectively the Commission for Public Finance Control in 2011 in the programme of work for the exercise of auditing powers for the year 2012, as provided for in the second paragraph of Article 25 of the Court of Audit Act. It is necessary to stress out that the realisation of the initiatives made by deputies of the National Assembly of the Republic of Slovenia respectively the Commission for Public Finance Control is in different stages of audit procedure, whereby some audit reports based on the initiatives shall be issued in 2013. The initiatives made by deputies of the National Assembly of the Republic of Slovenia respectively the Commission for Public Finance Control in 2012 were considered by the Court of Audit when adopting the programme of work for the exercise of auditing powers for the year 2013.

Strategic objective 3

To continue to benefit the public sector by implementing audits and to contribute to the reduction of irregularity as well as inefficiency, ineffectiveness and uneconomy in the operations of users of public funds

The Court of Audit contributes to the reduction of irregularity as well as inefficiency, ineffectiveness and uneconomy of operations of users of public funds in several ways. As defined by the Constitution of the Republic of Slovenia, the Court of Audit is the highest body for supervising state accounts, state budget and all public spending. In implementing audits, the Court of Audit actively promotes improvements of operations of users of public funds by disclosing irregularity as well as inefficiency, ineffectiveness and uneconomy in audit reports and demanding corrective measures and/or the establishment of such supervision system that shall prevent any similar occurrences in the future.

The Court of Audit also promotes the improvements of 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 of

public funds, which are based on audit findings and other measures of the Court of Audit; not measurable benefits are improving knowledge and awareness of the importance of regularity as well as efficiency, effectiveness and economy of operations and responsibilities of the authorised persons. In this way the Court of Audit influences users of public funds to bring more regularity as well as efficiency, effectiveness and economy into their operations.

Savings

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

Arrangement and Provision of the Activity of Natural Gas and Heat Distribution System Operator in the Area of the Municipality of Kranj

Contrary to Article 75 of the Spatial Planning Act, the Municipality of Kranj charged to persons liable to pay building land development fee the fee also for the construction of a natural gas distribution network. Thus, in the period from 21 September 2009 to 30 June 2010, it unjustifiably charged the fee in the amount of EUR 76,491 for the construction of a natural gas distribution network, since in this period it did not have any expenditure for the investment in the natural gas distribution network.

The Municipality of Kranj prepared a draft Ordinance amending the Ordinance on the programme for the development of building land and the criteria for the assessment of building land development fee for the Municipality of Kranj, which proposes the following:

- the building land development fee for gas and district heating shall not be paid until the Municipality of Kranj has no costs related to the building land development;
- persons liable to pay the building land development fee, who paid the fee for such infrastructure after 21 September 2009, are entitled to a refund of the amount paid within one year from the date of the obligation to recover the payment.

In its plan of activities, the Municipality of Kranj provided for the consideration of this amendment to the Ordinance at the meeting of the Municipal Council of the Municipality of Kranj taking place on 20 February 2013.

With the implementation of this activity, the realised savings in the estimated amount of at least EUR 331,461 will be due to unjustifiably charged building land development fee during the period between 21 September 2009 and 31 December 2012 returned by the Municipality of Kranj to investors. At the same time, due to the implementation of the corrective measure, the building land development fee will not be charged to investors in the future either, which is not taken into account in the amount of the disclosed savings.

Economy of Operations of Slovenske železnice, d. o. o., Ljubljana in the Management of Real Estate

The company Slovenske železnice, d. o. o., Ljubljana (Slovenian Railways Company, hereinafter: SŽ) did not act economically by reaching a court settlement with its subsidiary, SŽ - Železniško gradbeno podjetje,

d. d., Ljubljana (Railway Construction Company, hereinafter: ŽGP), since with the court settlement, which was reached in 2010, it transferred to the subsidiary free of charge the land in the Ob zeleni jami district in the estimated value of EUR 4,187,564, even though the property right of the subsidiary was not justified. Since the co-owners of SŽ - ŽGP are also natural persons and legal persons governed by private law with the share of 20.18 percent, SŽ by transferring land in the value of EUR 4,187,564 based on the court settlement burdened the SŽ consolidated assets for the estimated value of EUR 845,050.

Due to the initiated implementation of the audit, the company eliminated the burden in the period covered by the audit. On 24 March 2011, SŽ submitted to the Court of Audit an Agreement on Settlement of Mutual Relations (hereinafter: the Agreement) arising from the court settlement, Ref. No. P 3118/2009 of 5 May 2010, signed by SŽ and ŽGP on 22 March 2011. In the Agreement, SŽ and ŽGP indicate that they were only after the court settlement acquainted with the statement of 31 January 1996, from which it follows that SŽ at the express request by ŽGP allows in writing that the facilities owned by ŽGP may be positioned on the disputed plots owned by SŽ as long as SŽ will not need the disputed plots for the performance of its own activities and provided that the costs of the disposal of the facilities will be charged to ŽGP. On this basis, ŽGP unconditionally acknowledges in the Agreement that SŽ has always been the sole and exclusive owner of the plots at the Ob zeleni jami location. ŽGŠ will therefore issue a land register permission on the basis of which SŽ will be registered as the owner of the plots concerned. In the Agreement, the two companies also agreed not to conclude the contract of exchange defined in the court settlement. After signing the Agreement, SŽ submitted a proposal to be re-registered as the owner of all the plots at the Ob zeleni jami location in the land register. On June 2011 they were consequently re-registered as the owner of all the plots concerned. SŽ thus achieved savings in the amount of EUR 845,050.

Effectiveness of Solving Spatial Problems in Slovenian Prisons

It was established under the audit of effectiveness of solving spatial problems in Slovenian prisons that the contractual value of works related to the construction of the Dob prison increased by 8 percent of the initially agreed value respectively by the amount of EUR 793.074.49 and that most of the increase in the value of works was the result of ill-prepared project documentation (especially failure to comply with the requirements of fire safety study). Upon the issue of the audit report, the Court of Audit therefore required from the Prison Administration of the Republic of Slovenia to examine the possibility of enforcing the responsibility of the project leader due to the allegedly improper work in the preparation of project documentation and to decide on the initiation of the procedure of reimbursement of costs resulting therefrom. In November 2012, the Prison Administration of the Republic of Slovenia filed at the State Attorney's Office a lawsuit against the project leader for the payment of compensation in the amount of EUR 408,518.97 with related fees and charges.

Corrective measures

The user of public funds whose operations have disclosed irregularity, inefficiency, ineffectiveness or uneconomy, must submit to the Court of Audit, unless it eliminates them during the audit procedure, its response report with corrective measures disclosed. The purpose of corrective measures is to eliminate irregularity respectively inefficiency, ineffectiveness or uneconomy and improve operations of users of public funds in the future. Time limits for the submission of a response report are in the range between 30

and 90 days, depending on the complexity of corrective measures. For some audits issued at the end of 2011 the deadline falls into 2013. Auditors of the Court of Audit assess disclosed corrective measures in the so called post-audit reports. Most of the audited users of public funds present evidence in their response reports that appropriate corrective measures for the elimination of disclosed irregularity respectively inefficiency, ineffectiveness or uneconomy have been taken.

The Court of Audit may review the corrective measures by undertaking a new audit to verify the credibility of a response report. The objective of such audit is to express an opinion on the credibility of a response report.

Some corrective measures are such that demand from the audited user of public funds to disclose at least the initiation of activities that shall, when properly implemented, give adequate results after a longer period of time. Whether the audited user of public funds has followed the recommendations of the Court of Audit, can be assessed in detail only after certain period of time by introducing a new audit.

The Court of Audit assesses the adequacy of corrective measures in a post-audit report. If the Court of Audit estimates that there is no adequate elimination of disclosed irregularity respectively inefficiency, ineffectiveness or uneconomy, it may issue a call for remedial action, addressed to a 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 30 days after receipt of the call. In case of inadequate elimination of material irregularity respectively inefficiency, ineffectiveness or uneconomy, the Court of Audit shall notify the National Assembly of the Republic of Slovenia and issue a call for the dismissal of the officer responsible and a press release.

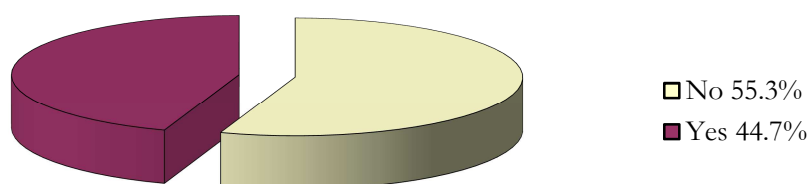
In the year 2012, the Court of Audit issued as many as 67 regularity audit reports (out of 114 audit reports in total) concerning the financing of election and referendum campaigns (34 in the year 2011). No submission of a response report was required. In the continuation, only audit reports that do not concern election and referendum campaign organisers shall be presented. 21 reports (out of the indicated 47) included a request for the submission of a response report, which means almost a half (44.7 percent) of audited users of public funds. This share is comparable to the year 2011 when 48.6 percent of the audited users of public funds were requested to submit a response report. In 2012, the share thus decreased by four percent.

Audited users of public funds disclosed 157 corrective measures in their response reports received in 2012. In the issued 19 post-audit reports, the Court of Audit assessed 68 corrective measures, which is comparable to the year 2010 when there were 82 corrective measures assessed. 50 measures were assessed as adequate, 14 as partially adequate while four corrective measures were inadequate. Due to inadequately implemented corrective measures, the Court of Audit issued a decision on violation of the requirement for operational efficiency to eight auditees (nine less than in the previous year). Based on this, it issued one call 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 users of public funds (ten in 2011). At one occasion inadequate corrective measures were assessed in case of material irregularity. The Court of Audit thus issued one decision on serious violation of the requirement for operational efficiency and issued one call for the initiation of a procedure for the dismissal of the officer responsible.

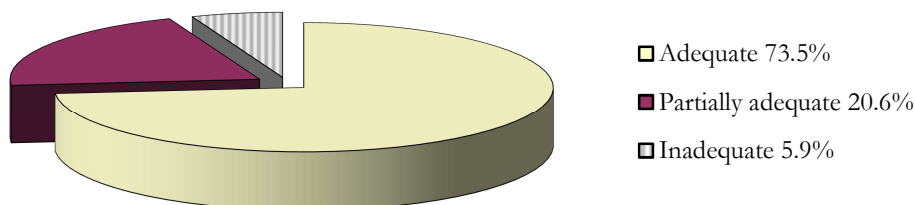
Proportions regarding requests for the submission of response reports in 47 issued audit reports and proportions regarding the assessment of the adequacy of adopted corrective measures in the issued post-audit reports are illustrated in graphs of Figure 3.

Figure 3: Proportions regarding requests for the submission of response reports in the issued audit reports and proportions regarding the assessment of the adequacy of corrective measures in the issued post-audit reports

Requests for the submission of response reports in the issued audit reports



Assessment of the adequacy of corrective measures in the issued post-audit reports



More important requests for corrective measures, recommendations and their implementation

Corrective measures and recommendations, imposed respectively submitted to the audited users of public funds for the elimination of irregularities or improvement of operations, were mainly related to:

- efficiency of contract management at the ministries;
- initiation of a procedure for the final arrangement of land allotment and alterations to existing public railway infrastructure for the final specification of the public railway infrastructure;
- division of public service and commercial activity at the Lipica Stud Farm Public Institute;
- forest management;

- preparation of a plan of activities for establishing the basis respectively providing calculations for the amount of discounts, with which Pošta Slovenije, d. o. o. Maribor (Post of Slovenia) justifies the amount of discounts considering the cost of providing the service of transferring unaddressed publications;
- arrangement and provision of the activity of natural gas and heat distribution system operator in the area of the municipality;
- amendments and supplements to the existing methodology for the calculation and setting of network charges;
- setting of the foster care payment rate in line with the provisions of the Rules on conditions and procedures for the implementation of the Act concerning the pursuit of foster care;
- activities that will facilitate more transparent reporting on the eligible use of funds, as well as the establishment of appropriate records for monitoring direct costs of depreciation by individual projects and programmes of the Institute;
- activities for the amendment of the Contract on the Right of Superficies and the Lease Agreement, which will clearly set out any financial obligations of the Municipality after the termination of the right of superficies;
- recovery of overpayments for the performance of the function to the deputy mayors in the Municipality,
- plan of activities for the preparation of a strategy for the development of the system of municipalities in the Republic of Slovenia, with clearly defined measures, responsibilities and timetable of the implementation;
- examination of the possibility of enforcing the responsibility of the project leader due to the allegedly improper work in the preparation of project documentation;
- European Cohesion Policy implementation system;
- other fields.

Efficiency of Contract Management

The Court of Audit of the Republic of Slovenia recommended to the Government of the Republic of Slovenia to, inter alia, prepare a common framework which would define guidelines for efficient contract management at the ministries and reflect best practices established in the process of contract management. It should introduce the model of e-business in the field of financial accounting at all the ministries as well as uniform operating standards and information tools, which would enable the ministries to manage contracts more efficiently.

It recommended to the Ministry of Finance, the Ministry of Health and the Ministry of Justice and Public Administration to ensure that in the event of a substitution of the fiduciary the new fiduciary is familiar with all the information required for efficient contract management; for contracts of greater value, a mandatory written handover should be defined in internal acts. They should agree with the contractors who maintain the software on the warranty for the products at least until the expiry of the duration of the maintenance or upgrade contract. Their internal acts should also provide for the mandatory preparation of reports on the realisation of contracts describing the good and bad experiences, risks, limitations, and indicating measures to improve the process of contract management.

Economy of Operations of Slovenske železnice, d. o. o., Ljubljana in the Management of Real Estate

The corrective measures of SŽ had to relate to the initiation of the procedure for the final arrangement of land allotment and alterations to existing public railway infrastructure for the final specification of the public railway infrastructure and to the elimination of disclosing the value of the financial investment in the institute SŽ - Železniški zdravstveni dom Ljubljana (Railway Health Centre), Ljubljana.

Both measures were carried out, whereby there were negotiations taking place during the preparation of the response report between SŽ and the Ministry of Infrastructure and Spatial Planning for the implementation of allotment procedures within the framework of the concluded public railway infrastructure management contract. The final agreement has not yet been concluded. The disclosure of relations to the institute SŽ - Železniški zdravstveni dom Ljubljana, Ljubljana will be definitely arranged once a comprehensive legal settlement of relations to the institute concerned is completed.

SŽ was recommended to:

- annul together with the institute SŽ - Železniški zdravstveni dom, Ljubljana the out-of-court settlement and thus restore the property right to its name, as well as agree on the recovery of other real estate transferred to the Železniški zdravstveni dom Ljubljana, Ljubljana contrary to regulations;
- modify the Rules on the management of immovable property of Slovenske železnice, d. o. o., Ljubljana, so as to allow a uniform open procedure of selling immovable property to interested buyers and thus enable the attainment of the highest possible purchase price.

Division of Public Service and Commercial Activity at the Lipica Stud Farm Public Institute

The Court of Audit demanded the implementation of the following corrective measures:

- a) the Government of the Republic of Slovenia was demanded to:
 - examine the adequacy of the role of the two ministries in financing and supervising activities of the Lipica Stud Farm;
 - consider possible changes in the organisation and ownership of Lipica Turizem, d. o. o., Sežana (hereinafter: Lipica Turizem), and consider the possibility of a public-private partnership in accordance with Article 8 of the Public-Private Partnership Act.
- b) the Ministry of Agriculture and the Environment was demanded to:
 - disburse budgetary funds on the basis of authentic documents;
 - determine a norm for breeding and rearing costs.
- c) the Ministry of Education, Science, Culture and Sport was demanded to:
 - disburse budgetary funds on the basis of authentic documents;
 - to separate the function of a contract custodian from the membership in the Council of the Lipica Stud Farm;
 - examine the appropriateness of protecting the cultural monument respectively protected area falling within the land not intended for the performance of a public service.
- d) the Lipica Stud Farm was demanded to:
 - prepare authentic requests for disbursement of budgetary funds;
 - provide adequate arrangement of marketing services, settle ineligible costs charged to the state budget (advertising costs, including costs of advertising material);

- ensure adequate disclosure of income from the performance of a public service and sponsorship funds;
- determine new criteria for dividing costs of common services and costs related to facilities (compensation costs for the assets used freely by Lipica Turizem, costs of equipment and facilities insurance for the case of fire, security and compensation costs for the use of building land).

The measures implemented by the Ministry of Agriculture and the Environment were adequate in terms of disbursing budgetary funds on the basis of authentic documents and preparing a plan of activities for the determination of the norm for breeding and rearing costs. The prepared norms will be considered and also confirmed by the Livestock-Breeding Council. Subsequently, there will be potential amendments to the basic five-year breeding programme and annual breeding programme for the Lipica Stud Farm 2013 prepared.

The Government of the Republic of Slovenia and the Ministry of Education, Science, Culture and Sport were issued a decision on violation of the requirement for operational efficiency, since:

- the Government of the Republic of Slovenia considered possible changes in the organisation and ownership of Lipica Turizem yet it merely took note of the report of the Interdepartmental Working Group, which notably provides for the adaptation of existing regulations in a manner that would maintain the existing relations between the Lipica Stud Farm and Lipica Turizem. This was assessed as inadequate by the Court of Audit. The Government of the Republic of Slovenia failed to initiate procedures for the amendment of the Lipica Stud Farm Act (hereinafter: ZKL) and neither did it determine deadlines and persons responsible for the preparation of such changes. Moreover, it did not examine the possibility of carrying out the commercial activity at the Lipica Stud Farm in the form of a public-private partnership. Therefore, there exists a risk that there will not be any changes made in the manner of providing the commercial activity at the Lipica Stud Farm;
- The Ministry of Education, Science, Culture and Sport failed to examine the appropriateness of protecting the cultural monument respectively protected area falling within the land and facilities not intended for the performance of a public service at the Lipica Stud Farm, did not determine the content of the amendment of ZKL and propose it to the Government, and neither did it examine the impact of the declaration of a cultural monument of national importance on the possibility of obtaining a strategic partner for the provision of a commercial activity at the Lipica Stud Farm.

As required by the Ministry of Agriculture and the Environment, the Lipica Stud farm commenced with the preparation of a request for disbursement of budgetary funds in the form that disclosed actual costs incurred at the Lipica Stud Farm, which the Court of Audit assessed as adequate. In its books of account, the Lipica Stud Farm disclosed for the unduly paid costs of advertising material and advertising services in the amount of EUR 135,000 a claim against Lipica Turizem, yet it did not receive reimbursement of unduly paid costs of the used advertising material and advertising services, which the Court of Audit assessed as partially adequate.

Other four measures were assessed as inadequate, since the Lipica Stud Farm failed to implement the required activities but merely stated that it would carry out the activities with the newly established financial, status and business relations between the Lipica Stud Farm and Lipica Turizem respectively with the implementation of measures by the Government of the Republic of Slovenia. This is due to the fact that:

- the Lipica Stud Farm did not start disclosing in its books of account all the sponsorship funds and

income arising from the visits of the stud farm, performances, riding school and carriage rides that represent a public service, which is contrary to Article 11 of ZKL;

- it did not initiate the procedure for the selection of a provider of marketing services in accordance with public procurement regulations;
- it did not start paying Lipica Turizem for the marketing services based on the actual costs incurred;
- it did not determine appropriate criteria for dividing common costs between its company and Lipica Turizem; and
- failed to conclude a contract and issue an invoice to cover the compensation costs for the assets used by Lipica Turizem, costs of equipment and facilities insurance for the case of fire, security and compensation costs for the use of building land.

Due to inadequate implementation of the required corrective measures, the Lipica Stud Farm still does not properly comply with the applicable regulations and policies, does not ensure efficient management of the resources available to finance public services and maintains a risk of granting illegal state aid. The Lipica Stud Farm was therefore issued a decision on serious violation of the requirement for operational efficiency and the Council of the Lipica Stud Farm Public Institute was proposed to initiate a procedure for dismissal of the Director of the Lipica Stud Farm Public Institute. Upon his resignation statement, the Director was dismissed by the Government of the Republic of Slovenia based on the proposal of the Council of the Lipica Stud Farm Public Institute.

The Ministry of Agriculture and the Environment was recommended to:

- define more clearly standards for breeding and rearing Lipizzaner horses by the number of horses, the size of the pasture area and for managing available land as well as examine whether the area indented for golf at the Lipica Stud Farm is needed for breeding and rearing horses.

Forest Management

The corrective measures of the Ministry of Agriculture and the Environment had to relate to:

- the preparation of the plan of activities for proposing amendments to the Act on Forests in order to regulate the interconnection between forest management planning and silvicultural planning as well as planning and monitoring of measures on the basis thereof;
- the preparation of the plan of activities for reforming the Slovenian Forest Service information system;
- the approval of the plan of activities of the Farmland and Forest Fund of the Republic of Slovenia for completing the transfer of agricultural land, farms and forests to the Fund.

All the required plans of activities were adequately prepared respectively approved.

The corrective measures of the Farmland and Forest Fund of the Republic of Slovenia had to relate to:

- the submission of the plan of activities for completing the transfer of agricultural land, farms and forests to the Fund;
- the submission of the plan of activities which would provide for the attainment of the objective set in the Resolution on National Forest Programme - improvement of land and plot structure of state forests.

The Farmland and Forest Fund of the Republic of Slovenia prepared both plans of activities.

The corrective measures of the Slovenian Forest Service had to relate to:

- the adoption of internal rules and regulations to determine the recording of additionally felled unselected trees and selective felling as well as the method of informing the Forestry Inspection Service;
- the supplementation of internal rules and regulations concerning the detailed definition of the content of forest management plans of forest management units in so far as it relates to the presentation of the estimated felling on the basis of permanent sample plots.

The Slovenian Forest Service implemented the first measure within the framework of its response report while the second was implemented after the Service was issued a decision on violation of the requirement for operational efficiency respectively within the time period when it was required from the Ministry to act against the Service.

All three auditees were provided several recommendations related to:

- the establishment of appropriate records on the actual condition of forests;
- the harmonisation of the validity of forest management and silvicultural plans;
- the examination of the accessibility of forests and approval of financing the construction of forest roads owned by the State;
- the examination of the amount of fee for the maintenance of forest roads, the method of financing the maintenance of forest roads as well as the preparation of multi-annual plans for the maintenance of forest roads;
- preparation of amendments to the National Farmland and Forest Fund Act so that the registration of the transfer of ownership to the Farmland and Forest Fund of the Republic of Slovenia in the case of public property would be carried out directly based on the Act;
- the method of the implementation of a public tender for co-financing measures implemented in forests as well as the reduction of the percentage of investment co-financing in order to be able to co-finance more measures;
- the simplification of the issue of decisions on the regular felling of trees (especially for smaller quantities) and the recording of felled trees with sampling methods;
- the inclusion of the owners of forests in the procedure of forest management planning and the compliance with the recommendations of the Slovenian Forestry Institute concerning the content of forest management plans of forest management units;
- the introduction of computerized management of the annual felling and the increase in the responsibility of local units in the planning procedure;
- the establishment of appropriate records and monitoring of the control of the felling area, intermediate (partial) felling and sanitary felling;
- the supplementation of internal rules and regulations concerning the recording of the used material and seedlings under the forest investment;
- the establishment of appropriate records of forest roads;
- the review and the acquisition of agricultural land managed by other bodies governed by public law, established by the Republic of Slovenia;
- the adoption of an agreement on the notification of the intended purchase of protective forests, forest reserves and special purpose forests and the adjustment of objectives of the Farmland and Forest

Fund of the Republic of Slovenia in case of potential revision of the budget.

Operations of Pošta Slovenije, d. o. o., Maribor in Transferring Unaddressed Publications

The corrective measure of Pošta Slovenije (hereinafter: the Post of Slovenia) had to relate to the preparation of a plan of activities for establishing the basis respectively providing calculations for the amount of discounts, with which it would justify the amount of discounts considering the cost of providing the service of transferring unaddressed publications. The plan of activities was prepared.

The Post of Slovenia was recommended to conduct an analysis of actually accepted quantities for the transfer of unaddressed publications to examine the impact of approved discounts on the price list based on the announced quantities as well as to include in the contracts a clause on the setting of the final amount of discount and on the settlement of the provided service at the end of the contract period.

Arrangement and Provision of the Activity of Natural Gas and Heat Distribution System Operator in the Area of the Municipality of Kranj

The corrective measures of the Municipality of Kranj had to relate to:

- the preparation of an amendment to the Ordinance on the activity of natural gas distribution system operator in the area of the Municipality of Kranj, which would enable a public tender for granting the concession for the performance of such activity;
- the referral of the amended Ordinance on the programme for the development of building land and the criteria for the assessment of building land development fee for the Municipality of Kranj to the Council of the Municipality of Kranj for decision. The Ordinance would eliminate the possibility of charging building land development fee for the construction of a natural gas distribution network and establish a legal basis for the recovery of unjustifiably charged building land development fee. Moreover, the Municipality of Kranj had to prepare a plan of activities for the recovery of unjustifiably charged building land development fee for the construction of a natural gas distribution network;
- the preparation of an amendment to the Ordinance on the activity of natural gas distribution system operator in the area of the Municipality of Kranj and to the Concession Contract for the performance of a commercial public service of natural gas distribution system operator in the area of the Municipality of Kranj, which would exclude the provision that before being connected to the distribution network the user is obliged to submit to the concessionaire a certificate of payment of building land development fee, issued by the granting authority;
- the preparation of the content of the Ordinance on the activity of heat distribution system operator in the area of the Municipality of Kranj and on the method of performing such commercial public service as well as the preparation of a plan of activities for the adoption of the Ordinance by the Council of the Municipality of Kranj.

The corrective measures of the company Domplan, d. d., Kranj had to relate to:

- the establishment of an adequate method of calculating depreciation of natural gas distribution network in accordance with the provisions of the Slovenian Accounting Standard 13 (2006);
- the adoption of criteria for each economic category of the profit and loss account and balance sheet, including the method of balancing the items in preparing the balance sheet by activities, and the referral of proposed new criteria to the Energy Agency of the Republic of Slovenia for approval;

- the preparation of a plan of activities for the introduction of records of receivables and corrections of the value of receivables by activities.

The time limit for the submission of response reports had not yet expired by the end of 2012.

Due to unclear Concession Contract in terms of natural gas distribution network payment at the time of the transfer to the Municipality at the end of the concession relationship, the Municipality of Kranj was recommended to supplement the Concession Contract and specify clearly whether at the end of the concession relationship natural gas distribution network will be transferred against payment or free of charge, and clearly define the method of calculating the value of the natural gas distribution network, which will have to be paid by the Municipality in case of the transfer against payment.

Performance of a Commercial Public Service of Transmission and Distribution System Operator

The corrective measures of the Energy Agency of the Republic of Slovenia had to relate to:

- amendments and supplements to the existing methodology for the calculation and setting of network charges so that the regulation would:
 - define clearly users of services of the commercial public service of electricity distribution system operator (hereinafter: GJS SOPO) and thus also define whether the price of GJS SOPO (i.e. network charges for the transmission and distribution network and network charges for system services) represents the cost covered by the provider of the commercial public service of transmission and distribution system operator or by the end user;
 - eliminate the payment of excessively absorbed reactive power from the grid;
 - determine criteria for assessing the costs incurred by individual consumer groups as well as criteria or ratios between the rates of individual consumer groups for differentiated setting of capacity charges and the acquired electricity, and conditions which must be complied with for the criteria or ratios to be changed;
 - define the procedure and method of classifying electricity consumers into consumer groups;
 - eliminate the criterion „connection method“ for determining consumer groups and classifying end consumers into consumer groups;
 - define criteria for identifying and determining significant/substantial departure from the regulatory framework within the regulatory period and for deciding on the change in network charges for the transmission and distribution network and/or change in network charges for system services in the next regulatory year.
- the provision of evidence of the increase in regulatory surplus of GJS SOPO income in the amount of EUR 45,650,958 in the records of the Energy Agency and the adoption of a plan of activities that will ensure compliance with the increased value of the regulatory surplus of GJS SOPO income in subsequent procedures of setting GJS SOPO prices.

The corrective measures of the company Elektro - Slovenija, d. o. o., Ljubljana had to relate to:

- the adoption of internal rules and regulations pertaining to entertainment costs, which should define the purpose and content of entertainment costs as well as criteria for the planning of the value of such costs;
- the adoption of general conditions for the supply and consumption of electricity from the electricity distribution and transmission network, which in addition to the rules for the supply and consumption

of electricity from the network should also define the distribution and transmission network as well as determine criteria for the transmission to user devices at the 110-kV level;

- the submission of a plan of activities to reach an agreement with the Government of the Republic of Slovenia and public corporation Infra, d. o. o., Leskovec pri Krškem on the recovery of funds and transfer of access lines of the Boštanj hydroelectric power plant;
- the submission of a plan of activities to reach an agreement with the Government of the Republic of Slovenia and public corporation Infra, d. o. o. Leskovec pri Krškem on the recovery of funds and transfer of access lines of the Blanca hydroelectric power plant.

The time limit for the submission of response reports had not yet expired by the end of 2012.

The Energy Agency of the Republic of Slovenia, in defining the method of changing rates of network charges, was recommended to comply, as appropriate, with the provisions on overcompensation for public services (i.e. surplus revenue) included in the decision of the European Commission respectively in the Community framework for state aid in the form of public service compensation, from which it follows that any overcompensation should be recovered at the end of the regulatory period and parameters for the calculation of the compensation for the next period updated (i.e. the criteria for determining eligible costs or values of rates); if overcompensation within the regulatory period does not exceed 10 percent of annual compensation (i.e. eligible income), the overcompensation may be carried into the next regulatory year (without changing the parameters for the calculation of compensation).

The company Elektro - Slovenija, d. o. o., Ljubljana was recommended to:

- amend the organisational regulation on annual planning so that the annual plan would define measurable objectives for the assessment of the effectiveness in reducing and managing costs of the distribution and transmission network as well as the criteria for reducing or limiting the increase of individual and total costs of the performance of GJS SOPO;
- define in the appropriate internal regulation that the planned financial resources and the estimated financial construction of investments are deemed a necessary component of long-term company plans.

Financial and Regularity Audit of Operations of Health Insurance Institute of Slovenia in the Year 2010

After the implementation of its mandatory annual audit, the Court of Audit of the Republic of Slovenia demanded from the Health Insurance Institute of Slovenia (hereinafter: the Institute) the submission of a response report, in which the Institute was to demonstrate that it had initiated activities to regulate the status of the Railway Health Centre, demanded from pharmacies the issue of credit notes due to overpayments respectively initiated procedures for the repayment of claims as well as prepared a plan with defined activities, time limits and persons responsible for establishing control over the verification of pharmacies' invoices and a plan of activities to ensure a regular calculation of the total value of a particular prescription respectively establish control over the regularity of such calculation.

During the post-audit procedure, the Court of Audit assessed the corrective measures implemented by the Institute to regulate the status of the Railway Health Centre as adequate. Assessed as adequate were also measures for the establishment of appropriate control environment to carry out the verification of the amount charged based on the submitted data on the medicinal products prescribed and services

performed as well as measures to ensure a regular calculation of the total value of a particular prescription. It should be highlighted that the Institute together with the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia renewed the database of medicinal products. The data on regulated prices are now entered once a month while the data on the prices agreed between the Institute and contractors are entered regularly.

The measure which called upon the Institute to demand from pharmacies the issue of credit notes due to overpayments respectively initiate procedures for the repayment of claims was assessed as partially adequate. The Institute submitted a new set of data and analyses conducted on the basis thereof. It attached a table of all the claims added or excluded during the preparation of data yet it failed to describe a criterion for adding or excluding records and disclose the total amount of such claims. It adjusted the selection of data on prescriptions to the amount of liabilities in the accounting information system, rather than enabled the verification of the regularity of this amount on the basis of the data on prescriptions. The Institute submitted a set of prescriptions to present the pattern of duplicate prescriptions, yet it failed to explain the criteria for the selection of prescriptions and neither did it disclose the value of the selected prescriptions. Based on the renewed analysis, the Institute established that the amount of liabilities to pharmacies should be reduced by EUR 24,608, yet it did not demand from the pharmacies the recovery of overpayments. Therefore, the Institute was issued a decision on violation of the requirement for operational efficiency.

Pursuit of Foster Care

Upon the completion of its audit of the pursuit of foster care at the Ministry of Labour, Family and Social Affairs, the Celje Centre for Social Work, the Maribor Centre for Social Work, the Domžale Centre for Social Work and the Lendava Centre for Social Work in the years 2009 and 2010, the Court of Audit demanded from three centres (Centres for Social Work in Maribor, Domžale and Celje) the submission of response reports. The corrective measures had to relate to the setting of the foster care allowance in line with the provisions of the Rules on conditions and procedures for the implementation of the Act concerning the pursuit of foster care. Moreover, in specific cases the centres had to verify the regularity of the amount of foster care allowances and their compliance with foster care contracts and decisions by commissions for the determination of a lower norm and increased payment of work, notify the Public Guarantee and Maintenance Fund of the Republic of Slovenia of children being in foster care and thus prevent unjustifiable reception of child support and verify the eligibility for the increase of the maintenance allowance in accordance with the Rules on conditions and procedures for the implementation of the Act concerning the pursuit of foster care. The measures implemented and demonstrated by the centres in their response reports were assessed as adequate.

Regularity of Operations of the Foundation for the Funding of Sports Organisations in the Republic of Slovenia in the Year 2010

During the implementation of the audit, the Foundation for the funding of sports organisations in the Republic of Slovenia (hereinafter: the Foundation) failed to eliminate all the established irregularities. Therefore, the Court of Audit demanded the submission of a response report in which the Foundation had to demonstrate that it had drawn up a plan of activities for the adoption of internal rules and regulations pertaining to the functioning of the Board of Appeal and for the preparation of detailed rules and criteria for the allocation of funds.

During the post-audit procedure, the Foundation demonstrated the adoption of the plan of activities for the preparation of detailed rules and criteria for the allocation of funds by individual programmes. Some of the activities based thereof had already been implemented. In accordance with the plan of activities for the adoption of internal rules and regulations pertaining to the functioning of the Board of Appeal, the Foundation drafted Rules of Procedure and submitted them to the Board of Appeal for further consideration and adoption. The Rules of Procedure were adopted and approved on 28 September 2012. The corrective measures of the Foundation were assessed as adequate.

Financial and Regularity Audit of Operations of the Institute of Metals and Technology in the Year 2008

After the implementation of the financial and regularity audit of operations in the year 2008, the Institute of Metals and Technology (hereinafter: the Institute) was requested to submit a response report in which it had to demonstrate that it had prepared a report on all the amounts received from the Slovenian Research Agency (hereinafter: the Agency) for the implementation of research programmes respectively projects and infrastructure activities but not used as earmarked funds, as well as a notification about such amounts submitted to the Agency. It had to define cost centres with direct depreciation costs of projects and for each cost centre a list of equipment contained as well as establish analytical records of direct monthly depreciation costs by individual projects. Moreover, it had to prepare a plan of activities for regular monthly reporting to the Agency on direct costs of work, material, services and depreciation by individual projects, programmes and other activities financed by the Agency, as well as eliminate irregularities concerning the determination of excessive salaries by means of annexes to employment contracts.

In assessing the credibility of the response report, the Court of Audit expressed doubts about the truth of the illustrated corrective measures adopted for the elimination of irregularities related to the reporting on the earmarked use of funds. Therefore, in accordance with the fourth paragraph of Article 29 of the Court of Audit Act, the Court of Audit carried out an audit of the credibility of the response in the part that pertains to the preparation of the report on all the amounts that the Institute received from the Agency for the implementation of research programmes respectively projects and infrastructure activities but did not use them as earmarked funds, as well as to the notification about such amounts submitted to the Agency. The Court of Audit found the response report credible and subsequently issued a special audit report.

The measures of the Institute, pertaining to the activities that would facilitate more transparent reporting on the eligible use of funds as well as the establishment of appropriate records for monitoring direct depreciation costs by individual projects and programmes, based on which the Institute would be able to report to the Agency, were assessed as adequate. Assessed as partially adequate were measures related to the establishment of analytical records of direct monthly depreciation costs by individual projects. By means of reconstruction, the Institute allocated to the cost centres of direct costs of programmes, projects and infrastructure activities, financed by the Agency, exactly the amount of costs that equalled the direct costs of individual projects, programmes respectively infrastructure activities for the year 2008 to the revenue earmarked for this purpose, yet it failed to provide sufficient evidence that these costs were actually fully related to the programmes and projects they were reallocated to with the reconstruction. In addition, given the irregular payment of salaries to civil servants since 1 August 2008, the Institute did not act in accordance with Article 3.a of the Public Sector Salary System Act. Therefore, the Institute was issued a decision on violation of the requirement for operational efficiency.

Regularity and Efficiency of Operations of the Municipality of Dol pri Ljubljani

The measures that had to be demonstrated by the Municipality of Dol pri Ljubljani (hereinafter: the Municipality) pertained to the activities for the amendment of the Contract on the Right of Superficies and the Lease Agreement, which would clearly set out any financial obligations of the Municipality after the termination of the right of superficies.

The response report was assessed as partially adequate since the Municipality had failed to implement all the possible activities which could have been implemented within the time available, and neither had it implemented the activities for the amendment of the Contract on the Right of Superficies and the Lease Agreement for all types of termination of the right of superficies. In its response report, the Municipality did not indicate any activities which would have led to the conclusion of the prepared Annexes to the Contract on the Right of Superficies and the Lease Agreement; it failed to define in the draft Annex 3 to the Contract on the Right of Superficies any financial obligations of the Municipality in the event of potential termination of the right of superficies after the expiry of the period for which the Contract had been concluded; and neither did it strictly define the Lease Agreement and payments to be taken into account in the calculation. The Municipality was thus issued a decision on violation of the requirement for operational efficiency.

The Municipality was recommended to consider the financial implications of the existing Lease Agreement compared to other options for the financing of the investment, especially borrowing, and depending on the results consider all the possibilities for the transformation of the existing lease relationship into the economically more advantageous relationship. When establishing the right of superficies, should there be conditions complied with for the application of such instrument, the Municipality should give special attention to the provisions concerning the compensation that has to be paid by the owner of the real estate to the beneficiary of the right of superficies after the termination of the Contract.

Regularity of Operations of the Municipality of Šentjur

The measures that had to be demonstrated by the Municipality of Šentjur (hereinafter: the Municipality) pertained to the recovery of overpayments for the performance of the function of the deputy mayors in the year 2010 in the total amount of EUR 1,050. The response report was assessed as adequate.

The Municipality was recommended to describe business processes related to the incurrence of liabilities, management of immovable property, public procurement and allocation of current transfers, by defining basic activities of the process and responsibilities for the implementation thereof. At the same time, it should strengthen its internal control over the compliance with the contractual provisions concluded with the providers of works and services and internal control over the payment of contractual obligations, as well as establish a system for monitoring the maturity of contractual obligations within the agreed payment terms, and verify in detail the amount of contractual obligations prior to the payment.

Other municipalities were recommended to:

- ensure that the immovable property management plan would contain also an immovable property disposal plan where the land would be included prior to the immovable property disposal procedure;

- give more attention to timeliness and validity of the appraisal of immovable property whereby the appraisal of the immovable property under management should be comprehensive;
- verify the compliance with the conditions under the immovable property disposal procedure prior to the conclusion of a direct contract;
- put more emphasis on the implementation of procedures for the lease of immovable property and the sale thereof;
- give more attention to the issue of a land register permission in order to prevent the purchaser of the land from submitting a proposal for the entry of the property right in the land register prior to the reception of the entire purchase price;
- prepare a description of the immovable property disposal business process and define competences and responsibilities of employees in performing individual activities;
- give more attention to the determination of payment deadlines in the agreements on the sale or exchange of immovable property and on the invoices issued for the payment of the purchase price as well as to the monitoring of the timeliness of payments and responding in the event of delays;
- even for the conclusion of lease agreements which allow for the conclusion of a direct contract, initiate a public bidding procedure in order to verify the actual interest and ensure equal treatment of all potentially interested lessees;
- start activities for leasing immovable property for a definite period of time in case of lease agreements concluded for an indefinite period of time before the implementation of the Decree on Physical Assets of the State, Regions and Municipalities;
- carefully consider in the future the reasons that would justify the agreed time limit for the fulfilment as an essential component of the agreement;
- describe business processes related to the incurrence of liabilities, management of immovable property, public procurement, allocation of current transfers and borrowing, by defining basic activities of the process and responsibilities for the implementation thereof;
- strengthen internal control over the payment of contractual obligations, establish a computer system of monitoring the payment of contractual obligations within the agreed payment deadlines and verify in detail the amount of contractual obligations prior to the payment;
- identify which internal controls were not efficient respectively appropriately exercised and on the basis of such analysis prepare descriptions of particular business processes and define competences and responsibilities of employees in performing individual activities;
- focus on the contents of easement agreements.

Audit of the Regulation of the Field of Municipalities

The Ministry of Justice and Public Administration was recommended to assume while regulating the system of local self-government a more active role in the field of the regulation of municipalities whereas the Government of the Republic of Slovenia was recommended to present on the basis of completed analyses and accompanying results possible directions for the regulation of municipalities respectively network of municipalities in the Republic of Slovenia and the effects of the selection of a particular variant considering the cost-effectiveness of municipalities in their autonomous implementation of tasks to meet the needs and interests of their people.

The Ministry of Finance was recommended to establish as soon as possible, within the scope of its powers, regular monitoring of the operations of municipalities and thus provide insight into the operations of municipalities and the possibility of early intervention, including changes in the legal basis

regulating the financing of municipalities.

In its response report, the Ministry of Justice and Public Administration had to demonstrate its plan of activities for the preparation of a strategy for the development of the system of municipalities in the Republic of Slovenia, with clearly defined measures, responsibilities and timetable of the implementation.

Are There the Effects of the Proposed Regulations Being Verified in Slovenia?

The Government of the Republic of Slovenia was recommended to ensure that those responsible for individual line ministries and other bodies would provide continuous monitoring of the activities in their respective fields and prudently respond to any changes and demands of the environment. The Government should provide controls to ensure that it will accept for consideration only those proposed regulations which will comply with the provisions of the Resolution on Legislative Regulation respectively the Rules of Procedure of the Government of the Republic of Slovenia and the Guidance for the Implementation of the Rules of Procedure of the Government of the Republic of Slovenia, as well as ensure that the regulations will be prepared by the competent bodies themselves.

Effectiveness of Solving Spatial Problems in Slovenian Prisons

The Court of Audit demanded from the Prison Administration of the Republic of Slovenia to examine the possibility of enforcing the responsibility of the project leader due to the allegedly improper work in the preparation of project documentation and to decide on the initiation of the procedure of reimbursement of costs resulting therefrom. The Prison Administration of the Republic of Slovenia was required to re-determine, after carefully measuring the size of the rooms in all the prisons in the Republic of Slovenia, the official capacity of the prisons, whereby it had to apply the same norm for the appropriate area per prisoner in all the prisons. In planning and managing the investment for a new prison in Ljubljana, the Prison Administration of the Republic of Slovenia was recommended to consider the experience gained during the implementation of the renovation and extension project at the Dob prison and thus ensure effective and economic conduct of the project; it was above all recommended to specify in its terms of reference before the initiation of the project the main characteristics of the new prison and thus prevent unnecessary additional costs possibly resulting from subsequent changes to the project. In planning and implementing the projected second phase of the investment in the Dob prison, projected new constructions in Ljubljana and other investments, the Ministry of Justice and Public Administration was recommended to monitor regularly the work of the Administration and take appropriate action so as to ensure effective and economic implementation of the investment.

Measures for the Preservation of the Existing Jobs and Promotion of Employment

The Ministry of Labour, Family and Social Affairs and the Employment Service of Slovenia were recommended to, inter alia:

- compare the results of analyses of the planned objectives and expected results of individual measures already implemented and based on this use the available funds and activities to improve the efficiency of the measures;
- consider whether it would be possible in the implementation of active employment policy measures to simplify and shorten the procedures for granting subsidies and how;
- carry out activities necessary for establishing as soon as possible regular cross-referencing of data with the Tax Administration of the Republic of Slovenia.

Consideration of Irregularities and Financial Corrections within the Common Agricultural Policy

The recommendation provided to the Ministry of Agriculture and the Environment and the Agency of the Republic of Slovenia for Agricultural Markets and Rural Development (hereinafter: the Agency) was related to the improvement of the system of monitoring and coordinating the differences between the recorded amounts of:

- the revenue and expenditure of the state budget;
- the Agency expenditure and the state budget revenue;
- the receipts from the European Union budget, managed by the Ministry, and the recorded state budget revenue.

The Ministry of Agriculture and the Environment and the Agency have established new ways of managing these records, which have been regularly coordinated depending on the nature of payment procedures. With the on-line publication of data on the disbursement of funds, the accessibility of such data to the public has improved.

European Cohesion Policy Implementation System

The Ministries were recommended to provide within the scope of their powers and duties regular and comprehensive coordination of activities in the field of European Cohesion Policy. In preparing documents for the next programming period, the managing authority should examine whether it would not be reasonable to link budget items of EU earmarked funds and the Slovenian participation in such a way that it would not be possible to change the volume of funds under only one of them. For the efficiency of the implementation of the European Cohesion Policy to be improved, there should be deadlines determined for individual phases of implementation procedures. The information system should be established so as to allow the collection of data on the implementation of operational programmes necessary for the financial management, monitoring, control and evaluation of the operational programmes.

Other fields

On the basis of the implemented audits, the Court of Audit also issued recommendations respectively proposals to legal entities that were not auditees but could influence with their activities the elimination of established irregularity respectively inefficiency, ineffectiveness or uneconomy.

Other measures

Aside from carrying out audits and adopting measures on the basis of issued audit reports, the Court of Audit contributes with other activities to the improvement of operations of users of public funds. One of more important activities is proposing amendments to the legislation respectively proposing systematic solutions in individual fields of public sector operations.

Proposals to amend regulations

In the year 2012, the Court of Audit of the Republic of Slovenia made proposals to amend or supplement the following acts or regulations respectively warned about certain risks due to unclear provisions of particular regulations or lack of regulation in particular fields:

National Farmland and Forest Fund Act – the Ministry of Agriculture and the Environment was recommended to prepare amendments to the National Farmland and Forest Fund Act, which would:

- define operations of the Farmland and Forest Fund of the Republic of Slovenia in accordance with regulations applying to public funds;
- exclude respectively amend the provision of Article 10.a of the Act Amending the National Farmland and Forest Fund Act (ZSKZ-B), which provides for the concession fee for the Municipalities in order to achieve the eligible use of the revenue arising from the forest management;
- allow for the registration of the transfer of forest ownership to the Farmland and Forest Fund of the Republic of Slovenia in the case of public property to be carried out directly based on the Act and thus facilitate the implementation of these procedures.

Lipica Stud Farm Act – the Government of the Republic of Slovenia was requested to consider possible changes in the organisation and ownership of Lipica Turizem and initiate procedures for the amendment of Article 11 of the Lipica Stud Farm Act, which determines the public institute as the sole owner of the company.

Act on Forests – the Ministry of Agriculture and the Environment was required to prepare a plan of activities for proposing amendments to the Act on Forests in order to regulate the interconnection between forest management planning and silvicultural planning as well as planning and monitoring of measures on the basis thereof;

Rules governing the provision of assets obtained from part of depreciation of public health centres, set up by the Republic of Slovenia – the Ministry of Health was requested to prepare the amendment of the Rules, which would regulate also the measures in the event that the liabilities of public health centres from part of depreciation were not being paid.

Internal guideline: Data necessary for the inventory – the Ministry of Finance was asked to harmonise its internal guideline with the Rules on the Method and Time Limits of Reconciliation of Receivables and Liabilities according to Article 37 of the Accountancy Act.

Ordinance on the activity of natural gas distribution system operator in the area of the Municipality of Kranj, Ordinance on the programme for the development of building land and the criteria for the assessment of building land development fee for the Municipality of Kranj and Ordinance on the activity of heat distribution system operator in the area of the Municipality of Kranj – the Municipality of Kranj was required to:

- prepare an amendment of the Ordinance on the activity of natural gas distribution system operator in the area of the Municipality of Kranj, which would enable a public tender for granting the concession for the performance of such activity;
- prepare an amendment of the Ordinance on the programme for the development of building land and the criteria for the assessment of building land development fee for the Municipality of Kranj, which would eliminate the possibility of charging building land development fee for the construction of a

natural gas distribution network and establish a legal basis for the recovery of unjustifiably charged building land development fee, since there has not been any such basis in the regulations concerned;

- prepare an amendment of the Ordinance on the activity of natural gas distribution system operator in the area of the Municipality of Kranj, which would exclude the provision that before being connected to the distribution network the user is obliged to submit to the concessionaire a certificate of payment of building land development fee, issued by the granting authority;
- prepare the content of the Ordinance on the activity of heat distribution system operator in the area of the Municipality of Kranj and on the method of performing such commercial public service.

Methodology for the calculation and setting of network charges for the commercial public service of electricity distribution system operator – the Energy Agency of the Republic of Slovenia was required to:

- amend and supplement the existing methodology for the calculation and setting of network charges for the commercial public service of electricity distribution system operator (GJS SOPO) so that the regulation would:
 - define clearly users of services of GJS SOPO and thus also define whether the price of GJS SOPO (i.e. network charges for the transmission and distribution network and network charges for system services) represents the cost covered by the provider of the commercial public service of transmission and distribution system operator or by the end user;
 - eliminate the payment of excessively absorbed reactive power from the grid;
 - determine criteria for assessing the costs incurred by individual consumer groups as well as criteria or ratios between the rates of individual consumer groups for differentiated setting of capacity charges and the acquired electricity, and conditions which must be complied with for the criteria or ratios to be changed;
 - define the procedure and method of classifying electricity consumers into consumer groups;
 - eliminate the criterion „connection method“ for determining consumer groups and classifying end consumers into consumer groups;
 - define criteria for identifying and determining significant/substantial departure from the regulatory framework within the regulatory period and for deciding on the change in network charges for the transmission and distribution network and/or change in network charges for system services in the next regulatory year.

The Criminal Code, the Criminal Procedure Act and the Enforcement of Criminal Sanctions Act and the accompanying regulations – the Ministry of Justice and Public Administration was recommended to consider in the relevant legislation:

- in cooperation with the Prison Administration of the Republic of Slovenia, ways of further promoting the increased use of measures alternative to detention and the possibility of preparing a proposal for the amendment to the legislation that would enable also the use of new alternatives to detention, such as house arrest with an electronic device to control movement; the possibility of changing a prison sentence into the work of general interest respectively into a house arrest as well as the possibility of the increased use of conditional release with protective supervision.
- in cooperation with the Prison Administration of the Republic of Slovenia, the rationality of the proposal for the amendment to the legislation, which would enable that the individuals who had been free before starting serving the prison sentence be terminated the serving of their prison sentence, upon the consent of the person convicted, also due to prison overcrowding; the Ministry of Justice

and Public Administration should thereby ensure that the potential application of this amendment would not lead to the limitation of serving the entire prison sentence or part of it.

Cooperation with the Police and the Prosecution Service

The Court of Audit cooperates with the Police and the Prosecution Service in inspecting criminal offences by delivering at their request audit documentation, draft or proposed audit reports respectively final audit reports. The cooperation is also strengthened by the organisation of meetings and consultations.

Criminal offences

In 2012, the Court of Audit filed two criminal complaints at the competent District Prosecutor's Offices.

Minor offences

In 2012, there were no proposals made to initiate minor offence proceedings.

Demands for the assessment of constitutionality and legality by the Constitutional Court of the Republic of Slovenia

In 2012, the Court of Audit did not require from the Constitutional Court of the Republic of Slovenia any assessment of constitutionality and legality.

Strategic objective 4

To further increase the advisory role of the Court of Audit

The Court of Audit performs its advisory role during the implementation of audits and in post-audit procedures when it demands from auditees to carry out corrective measures and gives them recommendations for the improvement of their operations. The Court of Audit also answers the questions posed by the National Assembly of the Republic of Slovenia, users of public funds and the public. A special form of advising are also educational sessions organised or participated by the Court of Audit by presenting audit findings from the implemented audits and providing recommendations for better operations of a wider range of users of public funds.

Responding to questions

In 2012, the Court of Audit gave 152 responses to public finance questions, which is comparable to the year 2011 when it gave 154 written responses to the users of public funds.

Members of the Court of Audit and its Supreme State Auditors advised based on the requests by users of public funds especially to local communities and non-commercial public service providers, followed by

the ministries, their subordinate bodies and commercial public service providers. In recent years, the complexity of questions has been increasing, which requires more time for them to be answered.

The most common public finance questions relate to the following fields:

- adequacy of the method and procedure of setting prices of municipal utility services respectively the amount of the rent charged for infrastructure;
- adequacy of the method and content of the transfer of electricity infrastructure from the municipality to the provider of commercial public service of electricity distribution system operator;
- outstanding issues concerning independent borrowing of public institutes;
- ensuring eligible use of funds for the implementation of programmes of non-governmental organisations and societies;
- various aspects of the salary system: job classification, classification of employees into salary grades, their promotion, determination of salaries and payroll accounting as well as determination and payment of various bonuses;
- reimbursement of various costs related to work;
- adequate procedures of allocating transfers to non-commercial public service providers and societies as well as monitoring the use of such transfers;
- rights of employees and members of public institutes to various benefits;
- public procurement of material, services and fixed assets;
- grants to the public institute for the purchase of fixed assets and the accounting of such method of financing the purchase of equipment;
- competences and responsibilities of managers and members of the public institute managing authority;
- management of immovable property by the public institute established by the State;
- allocation of transfers,
- management of tangible assets,
- calculation of land development fee and the payment thereof;
- work of the municipality supervisory boards;
- rights of non-professional municipal officials (reimbursement of costs, attendance fees, payment for the performance of duties);
- granting of concessions;
- other fields.

Education of budget users and other public

Members of the Senate, Supreme State Auditors and other representatives of the Court of Audit also in 2012 continued with best practice of sharing their experience and audit findings with budget users from different sectors and segments.

Regional consultations with the representatives of local communities

In 2011, the Court of Audit of the Republic of Slovenia, in cooperation with municipalities, started with the second round of regional consultations with mayors of municipalities, directors of municipal administrations respectively entities responsible for the field of finances, which it completed in 2012. Such consultations with municipalities had already been organised in the years 2007 and 2008, whereby the

Court of Audit had sent its final report to the National Assembly of the Republic of Slovenia, the Commission for Public Finance Control, the then Ministry of the Environment and Spatial Planning as well as two other government offices.

In the period from March 2011 to September 2012, the Court of Audit, in cooperation with the municipalities of Celje, Kranj, Sežana, Ajdovščina, Krško, Koper, Šentrupert, Gornja Radgona, Črna na Koroškem, Kamnik, Ormož and Poljčane, completed 12 consultations with the representatives of the municipalities.

The purpose of the consultations was to:

- familiarise the municipalities with the work of the Court of Audit and the irregularities established during the implementation of audits of municipal operations;
- give the municipalities the opportunity to raise questions from the field of municipal operations to the representatives of the Court of Audit;
- provide them with the possibility to warn the Court of Audit about the challenges and problems they are faced with in the course of their work;
- provide them with the possibility to warn the Court of Audit about the potential deficiencies in the legislation;
- enable the representatives of the media, notably local media, to get acquainted in more detail with the work and preventive role of the Court of Audit as well as with the findings under local self-government audits.

At the consultations, the representatives of the Court of Audit presented a series of audit findings from the field of operations of municipalities and their commercial public services and the accompanying audit opinions issued by the Court of Audit in the framework of its advisory role. Such presentations were followed by discussions. Mayors, deputy mayors and municipal administration employees raised a number of questions which led to a lively exchange of views at each consultation.

There were press conferences organised at the end of the consultations. The consultations were consistently the subject of great interest for the media, the questions raised by journalists were related to the current issues examined by the Court of Audit, the most common findings and the current issues in the operation of municipalities.

The Court of Audit will use the views and the problems of municipalities as well as warnings in relation to the legislation concerned as important sources for the creation of discussions with competent authorities and institutions on the necessary amendments to the legislation governing the functioning of municipalities. At the same time, the content of the regional consultations and the issues raised provide an important basis for the preparation of the audit programme.

With a view to drawing attention to the problems in the operations of municipalities, the Court of Audit merged the issues discussed at the consultations into a text entitled the Report of the Court of Audit on regional consultations with the representatives of municipalities in the period 2011-2012 (hereinafter: the report). In 2013, the report will be presented to the competent working body of the National Assembly of the Republic of Slovenia and to the Commission for Public Finance Control and sent to the competent ministries and government offices. The public presentation of the report will be conducted on the premises of the National Assembly together with the Association of Municipalities and Towns of Slovenia

(Skupnost občin Slovenije) and the Association of Municipalities of Slovenia (Združenje občin Slovenije).

The report is structured into five chapters:

- statistics with the basic data on consultations;
- presentation of topics discussed at the consultations;
- issues raised by the municipalities, indicating the most important problems in the operations of the municipalities according to the mayors participating at the consultations;
- proposal for the amendment of legislation based on the examination of the issues raised.

The full text of the report is available at:

<http://www.rs-rs.si/rsrs/rsrs.nsf/I/K4242DF2787400F38C12570840033F24E>

Other trainings for budget users

In February 2012, a consultation organised by the Faculty of Criminal Justice and Security took place in Ljubljana, where the participants discussed irregularities and abuses in the field of public finances and the issue of corruption in the public sector. Dr Igor Šoltes, President of the Court of Audit of the Republic of Slovenia, participated in the round table entitled *How to detect financial abuse and reduce corruption in the public sector*.

In March, the newspaper Delo organised in Ljubljana a round table under the project Delo 2020 entitled *Green technologies - cost or investment in competitiveness*, which was attended also by Dr Igor Šoltes. Discussed at the event were the economic opportunities presented by green technologies and the elimination of obstacles to their more frequent use and the implementation of „green“ designs.

In March 2012, at the invitation of the European Centre Maribor and the National Council of the Republic of Slovenia, Dr Igor Šoltes, President of the Court of Audit, attended the Ljubljana meeting on *the elections in Slovenia and on the possible improvements to the electoral process in accordance with the recommendations of OSCE/ODIHR* (Organization for Security and Cooperation in Europe/Office for Democratic Institutions and Human Rights). He presented positions that the Court of Audit had adopted in auditing the organisers of election and referendum campaigns as well as proposals for the amendment of legislation. In 2011, for the first time in 20 years, OSCE/ODIHR monitored the elections in the Republic of Slovenia (early parliamentary elections) and assessed their compliance with international election standards. In 2012, the organisation issued a report on elections, which included the assessment of elections and recommendations to Slovenia for the improvement of its electoral process. A considerable part of the report concerns also the financing of the election campaign and parties. The aim of the meeting was to discuss concrete solutions available to Slovenia for complying with the recommendations. Participating at the meeting were numerous entities dealing with the electoral law in Slovenia, including the National Electoral Commission, judges of the Constitutional Court of the Republic of Slovenia, the Supreme Court of the Republic of Slovenia and of other courts, experts, deputies, political parties and the media.

At the end of March, at the invitation of the Association of Municipalities and Towns of Slovenia, Dr Miroslav Kranjc, Supreme State Auditor, Jelka Zimšek, Deputy Supreme State Auditor, and Peter Hafner, MA, Principal Auditor, attended *the fifth meeting of the presidency of the Association of Municipalities and Towns of Slovenia* and presented the audit report concerning the regulation of the field of municipalities.

In September, there were XIX Days of Slovenian Administration taking place in Ljubljana. Dr Igor Šoltes participated at the scientific conference, Days of Slovenian Administration, at the plenary session entitled: *Public sector - challenges during the reorganization and rationalization*. The plenary session was led by Dr Stanka Setnikar Cankar and attended also by Dr Gregor Virant, the then President of the National Assembly of the RS.

At the end of October 2012, there was a round table organised in Ljubljana by the Integriteta association - Transparency International Slovenia, entitled *The danger of reckless lawmaking under urgent and summary procedures and the consequences for the National Integrity System (Pasti nepremišljenega sprejemanja zakonodaje po nujnih in skrajšanih postopkih in posledice za nacionalni sistem integritete)*, also participated by Dr Igor Šoltes, president of the Court of Audit. The reason for the round table was the proposal and the adoption of legislation under urgent and summary procedure without any justification. Under the assessment and analysis of the National Integrity System, the Integriteta association also found wide gaps between the legislative framework and the implementation in practice. They pointed to the consequences and dangers of such a method of proposing and adopting legislation. They underlined the importance of public debate, the systematic inclusion of experts and strategic involvement of the public, which are crucial for the stability of the rule of law and democratic processes. Participating at the round table were Nataša Pirc Musar, Information Commissioner of the Republic of Slovenia, Rok Praprotnik, Deputy President of the Commission for the Prevention of Corruption, Goran Forbici, Director of the Centre for Information Service, Cooperation and Development of NGOs, Sonja Šmuc, Executive Director of the Managers' Association and Janko Marinko, Secretary General of the Supreme Court of the Republic of Slovenia.

In November, Dr Igor Šoltes, President of the Court of Audit, and Aleksander Petrovčič, Adviser to the President, lectured at the expert meeting of the General Police Directorate, Criminal Police Directorate in Gotenica on the topic *Detection and investigation of corruption offences in a public-private partnership*.

At the end of November, a seminar took place in Ljubljana on the financing of political parties and election campaigns. This was followed by a public presentation of recommendations: financing of political parties and election campaigns - national integrity system a week later. Cita Šalej, Adviser to Second Deputy President, and Jelka Zimšek, Deputy Supreme State Auditor, attended both events related to the amendment of legislation in the field of financing of political parties and election campaigns and to the formation of the „policy paper“.

A conference entitled *Internal Control of Public Finances in the Republic of Slovenia* took place in the beginning of December in Celje. The conference was organised by the Budget Supervision Office of the Republic of Slovenia in cooperation with the Regional Foundation - Centre for Excellence in Finance. Dr Igor Šoltes, President of the Court of Audit, held a lecture on the most frequently established irregularities in the operations of budget users.

In December, a congress of the Slovenian Institute of Auditors took place in Portorož. Actively present at the round table entitled *What is wrong with our corporate management and has the control failed?* was also Dr Igor Šoltes. The round table was attended by the representatives of the Bank of Slovenia, the Agency for Public Oversight of Auditing, the Slovenian Directors' Association and the Faculty of Economics and Business, Maribor. It was led by Simona Toplak, Deputy Editor-in-Chief of the newspaper Finance.

Strategic objective 5

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

The work performed by the employees of the Court of Audit must be professional and of high quality. This requires mandatory training and continuous obtaining of skills of all employees as well as their inclusion in different training programmes. Due to reduced financial resources, there came to a significant reduction of funds earmarked for the payment of various expert trainings (i.e. seminars, workshops, consultations, congresses). In line with the plan, the employees attended the following forms of trainings:

Training of human resources for obtaining a professional level of education

In 2012, there was no internal call for the conclusion of contracts on education. At the end of 2012, the Court of Audit had 11 contracts on education concluded, namely nine for post-graduate and two for graduate studies.

Training of human resources for obtaining skills

In line with the regulations, the employees of the Court of Audit have been attending trainings for obtaining the title state auditor, certified state auditor, and for a bar exam, as well as training for persons having access to classified information.

There was a training organised also in 2012 for obtaining the title state auditor. The programme was implemented in the form of group consultations in accordance with the adopted Programme of training for obtaining the title state auditor. Based on the internal call, there were six employees included in the training. Five employees successfully completed the training while one contract on education was extended until the end of May 2013. In 2012, three employees were awarded the title state auditor and four employees were awarded the title certified state auditor. At the end of 2012, there was one employee that had a contract on training for obtaining the title state auditor, one employee for obtaining the title certified state auditor and one for taking a bar exam.

There was a basic training organised for the handling and protection of classified information, which was attended by 17 employees.

Upgrading the knowledge of human resources

Training was organised in the form of external and internal seminars and seminars abroad. Funds earmarked for the seminars were allocated to departments based on the number of employees in a particular department.

There was an internal seminar entitled State aid in the implementation of public services organised. The seminar was attended by 65 employees.

Strategic objective 6

To continually improve the communication strategy and to strengthen the cooperation with others

Cooperation with the National Assembly of the Republic of Slovenia

The National Assembly of the Republic of Slovenia 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 considered by the Commission for Public Finance Control (hereinafter: the Commission). In 2012, the Court of Audit continued with the preparation of questionnaires for discussions about audit reports at Commission's meetings, since the questionnaires were helpful to the members of the Commission in considering individual audit reports. There were preparatory meetings for the members of the Commission reintroduced in the year 2012, where the members of the Senate and the Supreme State Auditors with their associates give detailed presentation of the contents of the questionnaire before the actual meeting.

In 2012, the Commission in the framework of 13 regular meetings addressed 25 audit reports (seven more than in the previous year), 13 post-audit report (two more than in the previous year), one notification on serious violation of the requirement for operational efficiency, one call for remedial action to eliminate inefficiencies and the Annual report of the Court of Audit for the year 2011. The Commission invites the President of the Court of Audit, other representatives of the Court of Audit as well as representatives of audited users of public funds to all its meetings where it discusses the Court's reports.

Table 2: List of reports examined by the Commission for Public Finance Control

No. of meeting	Date	Audit report
1st regular	21/2/2012	<ul style="list-style-type: none"> • Efficiency of energy-saving renovation of public buildings • Financial and regularity audit of operations of the Institute of Metals and Technology - audit and post-audit report
3rd regular	21/3/2012	<ul style="list-style-type: none"> • Provision of funds for decommissioning of the Krško Nuclear Power Plant and disposal of radioactive waste from the Krško Nuclear Power Plant - audit and post-audit report
4th regular	11/4/2012	<ul style="list-style-type: none"> • Efficiency of the retirement process - audit and post-audit report • Financial and regularity audit of operations of the Pension and Disability Insurance Institute of Slovenia in the year 2010 • Financial and regularity audit of operations of the Institute of Oncology Ljubljana - audit and post-audit report
5th regular	12/4/2012	<ul style="list-style-type: none"> • Aid of the Republic of Slovenia in case of natural disasters • Management of real estate of the Municipality of Šempeter-Vrtojba - audit and post-audit report • Operations of the Municipality of Ljubljana, related to the sale and exchange of land • Operations of the Municipality of Murska Sobota, related to the sale and exchange of land • Operations of the Municipality of Nova Gorica, related to the sale and exchange of land

No. of meeting	Date	Audit report
6th regular	24/5/2012	<ul style="list-style-type: none"> Adoption of a report on the consideration of the item Audit report: Provision of funds for decommissioning of the Krško Nuclear Power Plant and disposal of radioactive waste from the Krško Nuclear Power Plant Site selection for the intermediate and low level radioactive waste disposal facility - audit and post-audit report
7th regular	6/6/2012	<ul style="list-style-type: none"> Annual report of the Court of Audit for 2011
8th regular	7/6/2012	<ul style="list-style-type: none"> Employment of the disabled in the Republic of Slovenia Promotion of employment of the disabled - audit and post-audit report
10th regular	4/7/2012	<ul style="list-style-type: none"> Efficiency and effectiveness of operations in the sale of shares of the company Slovenska industrija jekla, d. d. (Slovenian Steel), Ljubljana
13th regular	4/10/2012	<ul style="list-style-type: none"> Efficiency of the preparation of budgets of the Republic of Slovenia for the years 2011 and 2012
14th regular	18/10/2012	<ul style="list-style-type: none"> Arrangement of relations concerning infrastructure for the performance of commercial public services - audit and post audit report Commercial public service of water regulation in the impact area of the Lower Sava River energy exploitation - audit and post-audit report
15th regular	8/11/2012	<ul style="list-style-type: none"> Arrangement of relations between the Lipica Stud Farm Public Institute and Lipica Turizem, d. o. o. - audit and post-audit report and the notification to the National Assembly of the Republic of Slovenia on serious violation of the requirement for operational efficiency Forest management - audit and post-audit report with the call for remedial action to eliminate inefficiencies
1st follow-up of 15th regular	11/12/ 2012	<ul style="list-style-type: none"> Forest management - audit and post-audit report with the call for remedial action to eliminate inefficiencies
16th regular	12/12/2012	<ul style="list-style-type: none"> Efficiency and effectiveness of planning and implementing the construction of economic development logistics centres Consideration of irregularities and financial corrections within the Common Agricultural Policy Information system of the Office of the Government of the Republic of Slovenia for Local Self-Government and Regional Policy - audit and post-audit report European Cohesion Policy implementation system in the Republic of Slovenia

International cooperation

The annual objectives set by the Court of Audit in the field of international cooperation, i.e. to strengthen cooperation with other supreme audit institutions and with its participation at international seminars and workshops enhance the capacity and skills of the employees as well as become an internationally well established and recognised audit institution, were achieved also in the year 2012 but the extent of cooperation was due to resource constraints significantly reduced. 25 representatives of the Court of

Audit participated at 23 meetings and consultations abroad, where they made 23 presentations. Compared to the previous year when the share of active presentations at international meetings had amounted to 86 percent, the year 2012 saw the share of 92 percent. The share of presentations considering the number of participants was thus increased by six percentage points. The Court of Audit of the Republic of Slovenia was visited by nine foreign delegations. The delegations were prepared special programmes, with the Court of Audit presenting its work and highlighting those topics that were of the highest interest to the participants from abroad.

The representatives of the Court of Audit attended especially the conferences, working group meetings and consultations taking place within the Contact Committee, the European Organisation of Supreme Audit Institutions (EUROSAI) and the V4+2 group.

Several important bilateral meetings were organised in 2012, which concluded with the signing of memoranda of understanding on future cooperation between the Court of Audit of the Republic of Slovenia and some other Supreme Audit Institutions. There were also discussions taking place about the topics of joint audits.

Cooperation within the Contact Committee

Within the *Contact Committee*, which brings together representatives of Supreme Audit Institutions of the Member States of the European Union, a meeting took place in April in Rome as part of the preparations for the meeting of the heads of Supreme Audit Institutions. The meeting was attended by one representative of the Court of Audit, who is a member of the relevant working group. A regular annual meeting of the Contact Committee took place in October in Estoril, attended by the President of the Court of Audit and the competent adviser.

At the beginning of the year, a *working group* met in The Hague to prepare the starting points for the implementation of a *joint audit related to the auditing of general government debt*. The meeting was attended by one of the Supreme State Auditors of the Court of Audit.

Supreme Audit Institutions of 12 Member States are involved in the joint audit under the *Working Group on Structural Funds*. At the beginning of the year, this group had an opening meeting in Berlin, discussing a new joint audit on the simplification of regulations for the European Cohesion Policy. The Court of Audit of the Republic of Slovenia is a member of the core Working Group on Structural Funds and the meeting was thus attended by two of its auditors. In Brussels, a representative of the Court of Audit, together with the two other members of the core group, the representatives of the Supreme Audit Institutions of Germany and the Netherlands, reported about the audit plan to the competent Commissioner of the European Union.

There was a meeting taking place at the beginning of the year in Bonn aimed at amending Article 24 of the *Treaty establishing the European Stability Mechanism*. It was organised by the Supreme Audit Institutions of the euro area; the revised text of this Article was subsequently approved. One expert of the Court of Audit of the Republic of Slovenia participated at the meeting.

There was a seminar of the *Network on National SAI Reports on EU Financial Management* taking place in Copenhagen, with the active participation of one Supreme State Auditor of the Court of Audit.

In June, *the working group carrying out a joint audit of transboundary shipment of waste*, had an opening meeting in Budapest, attended by two auditors of the Court of Audit of the Republic of Slovenia. One auditor participated at the follow-up meeting taking place in November in Warsaw.

Bilateral cooperation

In April, the Court of Audit of the Republic of Slovenia was visited by *the delegation of the Supreme Audit Institution of Albania*, led by the President of the institution. There was a protocol signed on further cooperation between both Supreme Audit Institutions. Already in autumn, the Court of Audit welcomed the delegation of auditors of the Republic of Albania. They were presented various methods for the implementation of performance audits.

Performance audits were subsequently also the topic of a visit from a group of auditors of *the Supreme Audit Institution of Georgia*, led by the President of the institution. In November, the Court of Audit was visited by the representatives of the Supreme Audit Institution of Bosnia and Herzegovina, who were interested in regularity audits. The auditing of public companies was the topic presented by the Deputy Presidents of the Court of Audit of the Republic of Slovenia during a visit from the delegation of the auditors of *the Supreme Audit Institution of Montenegro*. Also making their study visits were *the parliamentary delegation of Kosovo* and the delegation of *the Members of Parliament and the Supreme Audit Institution of Macedonia*.

In May, there was an official visit by the President of *the Supreme Audit Institution of Poland* and his delegation. The participants discussed further cooperation between the institutions. In July, the agreement on further cooperation was signed also by the Chairman of the Accounts Chamber of the Russian Federation and the President of the Court of Audit of the Republic of Slovenia during the official visit by the Accounts Chamber in Ljubljana.

At the invitation of the President of the Supreme Audit Institution of Croatia, the President of the Court of Audit of the Republic of Slovenia made his working visit to *the State Audit Office* of Croatia. The President was invited also to Tirana to celebrate *the 100th anniversary of the independence of the Republic of Albania*. In December, he participated at the ceremony in Trieste marking *the 150th anniversary of the Italian Court of Auditors*, where he made a speech about *the auditing of the state budget and local self-government in Slovenia*.

Cooperation within the V4+2 Group

The Supreme Audit Institutions of the Visegrad Group (Czech Republic, Slovakia, Hungary and Poland) as well as Slovenia and Austria had *a regular annual meeting* in Hungary. Environmental auditing and the independence of Supreme Audit Institutions were the main topics of the meeting, which was attended by the Deputy President of the Court of Audit and the competent adviser. They prepared several presentations related to the topics concerned. Within the V4+2 group, the Court of Audit of the Republic of Slovenia has also been the leader of the group responsible for the preparation of the manual on the prevention and detection of corruption and the role of Supreme Audit Institutions in this matter.

Cooperation within EUROSAI

The Court of Audit has been involved in two groups of this international organisation: Working Group on Environmental Audit and Task Force Audit & Ethics.

The seminar of *the EUROSAI Working Group on Environmental Audit* entitled Sustainable Fisheries and Forest Management, which took place in Norway, was attended by one representative of the Court of Audit, who has been a member of the core group. This group also organised a regular annual meeting in Cyprus, with active participation of one representative of the Court of Audit. *The Task Force on Audit & Ethics* held its opening meeting in Lisbon, which was attended by the President of the Court of Audit. The President also participated at the joint meeting EUROSAI-OLACEFS in Georgia. The topic of the meeting was Good Governance in Public Sector: Role of SAIs.

Cooperation within other multilateral organisations and consultations

For the second consecutive year, one Supreme State Auditor of the Court of Audit was invited as a lecturer in the framework of postgraduate studies, organised by the Austrian Court of Audit in cooperation with the Vienna Faculty of Economics and the Business Academy. His presentations focused on performance audits.

As part of the seminar in Montenegro, the President of the Court of Audit held a lecture at the conference Strengthening of External Audit. In Vienna, he held a lecture for the parliamentary delegation of Kosovo as one of various lectures about the financial control of the security and intelligence sector. The Council of Europe organised a World Forum for Democracy in Strasbourg, entitled Democracy: Between Old Models and New Realities. Invited was also the President of the Court of Audit, who held a speech under the session Consequences of the Economic and Financial Crisis on Democratic Institutions.

A seminar on the review of the use of European Union funds took place in Hague, with the active participation of one of the Supreme State Auditors of the Court of Audit. The Supreme State Auditor was invited also to the Brussels seminar on the auditing of the efficiency of European Funds. She presented the method of the implementation of such audits at the Court of Audit.

An annual meeting for the members of the European Court of Auditors took place in Ljubljana. The participants discussed topics considered important for the future development of the European Court of Auditors as well as issues pertaining to legal and efficient use of EU budget funds. The seminar and the accompanying meetings involved also the representatives of the Court of Audit of the Republic of Slovenia.

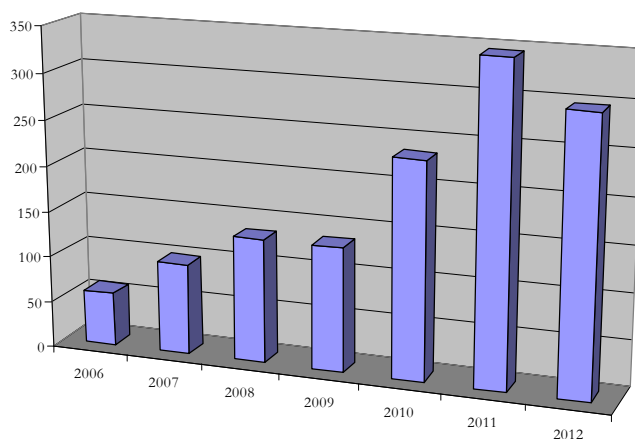
Cooperation with the media and public

Questions posed by journalists and requests for additional explanations

In recent years, there had been an increase observed in the number of questions posed by the media on audit procedures and other public finance issues. In the year 2012, the trend turned slightly down, but the number of questions was still the second highest since the year 2006 as the base year. In 2012, there were 297 written questions of journalists and requests for additional explanations recorded, compared to the

previous year when this number had been as high as 345. In 2010, the number of questions and requests received had amounted to 235. There were also many telephone inquiries and requests for the recording of statements.

Figure 4: Written questions of journalists in the period from 2006 to 2012



Press conferences

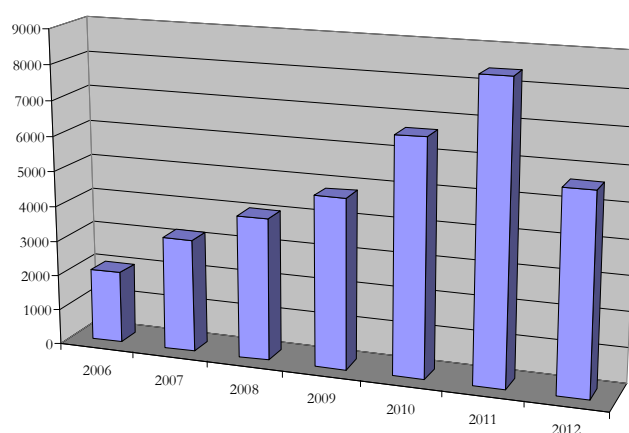
From January to the end of December 2012, there were nine press conferences held at the issue of the following audit and post-audit reports and at the completion of regional consultations, as well as one statement made by the President of the Court of Audit:

1. Regional consultation in the Municipality of Koper;
2. Regional consultation in the Municipality of Šentrupert;
3. Cross-sectional audit of the regularity of operations of three urban municipalities related to the sale and exchange of land as well as audit of the effectiveness of the regulation of the field of municipalities in the Republic of Slovenia;
4. Regional consultation in the Municipality of Gornja Radgona;
5. Arrangement of relations between the Lipica Stud Farm Public Institute and Lipica Turizem, d. o. o. in the period 2007-2010;
6. Regional consultation in the Municipality of Črna na Koroškem;
7. Regional consultation in the Municipality of Kamnik;
8. Effectiveness of solving spatial problems in Slovenian prisons in the period 2006-2012;
9. Post-audit report on the implementation of corrective measures of the Government of the Republic of Slovenia, the Ministry of Agriculture and the Environment, the Ministry of Education, Science, Culture and Sport and the Lipica Stud Farm Public Institute as regards the arrangement of relations between the Lipica Stud Farm Public Institute and Lipica Turizem, d. o. o. in the period 2007-2010.
10. Risk of higher prices of municipal utility services due to the adoption of a new Decree on the methodology for pricing mandatory municipal utility services of environmental protection.

Statistical review of published articles in the media

The number of published articles in the media in 2012 amounted to 5,645, which means a decline by a third compared to the previous year. The significant increase in the years 2010 and 2011 could be attributed not only to the relevance of topics in audit reports, planned media activities after the issue of audit reports, regional consultations and cooperation with local communities, regular informing and good cooperation with the media but also to the fact that in both years there were two calls issued for a dismissal of the officer responsible, both ministers. There was another call for a dismissal issued in the year 2012, related to the company management. The number of published articles during the seven-year period is illustrated in Figure 5.

Figure 5: Number of media publications in the period from 2006 to 2012



Publications on the website 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 website of the Court of Audit, except in case of reports defined in the third paragraph of Article 24 of Court of Audit Act. The website also presents audits in the process of implementation, with a description of the phases of particular audits. The public is thus able to regularly monitor the work of the Court of Audit. Such an approach shall be provided also in the future.

In 2012, the Court of Audit published 188 articles on its website, which is 42 more than in 2011. In order to present the contents of audit reports to a wide range of the public, the news section includes also the publication of brief summaries of audit reports. The public was regularly informed about all activities, press conferences, statements as well as other domestic and international events.

Strategic objective 7

To further improve the institution's work organisation and management

The Court of Audit continually seeks excellence in performance of its tasks. Therefore it has a process of quality assurance set up in all phases of audit and post-audit procedures.

In early July 2012, the Court of Audit established a new version of the intranet on a higher version of MOSS (Microsoft Office SharePoint Server). The contents of the previous version were moved to the new version (legal opinions in their entirety and other current records) and by the end of 2012 also the contents of individual audit departments. There were no costs incurred since the new intranet was set up by the in-house information technology service.

The efficiency of the Court of Audit has been improved also by contributions of the Maribor office carrying out audits in the area of North East Slovenia. The control in this area is thus strengthened and better knowledge of local circumstances provides for a more efficient audit implementation.

Internal auditing

Internal auditing of the Court of Audit is carried out by an auditor appointed by the President of the Court of Audit. Rules on Accounting and Financial Operations and Rules on Internal Controls of the Court of Audit are legal bases for internal auditing. The type and scope of audits in 2012 were defined by a short-term plan of implementing internal audits.

In 2012, the internal audit of regularity of financial statements and regularity of implementing the financial plan of the Court of Audit was carried out, which according to the Rules on Accounting and Financial Operations is mandatory. The subject of auditing were financial statements for the year 2011, including the balance sheet as at 31 December 2011 and the statement of revenues and expenses for the period from 1 January to 31 December 2011. The audit subject was also the implementation of the financial plan of the Court of Audit for the year 2011. 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 are presented in two audit reports concerning financial statements of the Court of Audit for the year 2011 and regularity of its operations in the year concerned. On the basis of reviews it was established that the financial statements showed the true picture of the assets and liabilities as at 31 December 2011 and profit or loss in the period from 1 January to 31 December 2011. The implementation of the financial plan of the Court of Audit for 2011 was in all material ways in line with the regulations.

AUDIT FINDINGS

Opinions expressed in audit reports

In the issued audit reports where the objectives were either expressing an opinion on the regularity of operations or on the compliance of operations with the regulations and/or on financial statements, a total of 171 opinions were expressed. In 2011, there were 91 opinions expressed. A significant increase in the total number of the opinions expressed can be attributed to the implementation of mandatory audits of organisers of election and referendum campaigns, the number of which amounted to 67.

Opinions expressed within performance audits were descriptive and consisted of assessments of efficiency, effectiveness and economy of operations. In 2012, there were 23 such opinions, two more than in the previous year.

The most frequent type of opinion expressed also in 2012 was an unqualified opinion. A high percentage, more than a half of all opinions expressed on the regularity and financial statements (60.8 percent) (in 2011, this percentage amounted to 62.6) can be attributed especially to regularity audits concerning the financing of the organisers of election and referendum campaigns, since it should be stressed that under the regularity and financial audits there were as many as 91 unqualified opinions expressed to the organisers of such campaigns. In 13 instances the expression of an opinion was rejected (in 2011 in three instances) while there was one opinion expressed on the credibility of a response report.

Should the number of the indicated mandatory regularity audits concerning the financing of the organisers of election and referendum campaigns be disregarded, the most frequent type of opinion expressed in 2012 would be a qualified opinion. There were 20 qualified opinions expressed, i.e. 38.5 percent. There were as many as 19 adverse opinions expressed, which means 36.5 percent. The number of unqualified opinions amounted to 13, i.e. 25 percent. The share of types of opinion expressed is illustrated in Figures 6 and 7.

Figure 6: Types of opinion expressed in 2012 - in total

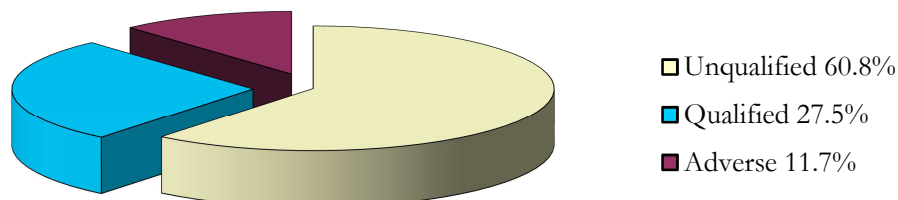
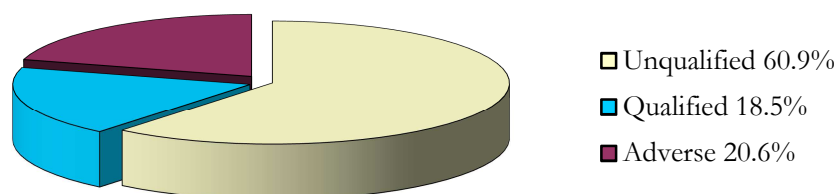
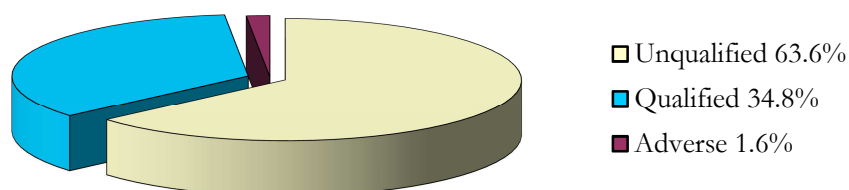


Figure 7: Opinions by audit objectives

Opinions on the regularity of operations



Opinions on financial statements



Among the audits with the objective to express an opinion on the regularity of operations, the most frequent are unqualified opinions, i.e. 56, which is 60.9 percent and comparable to the previous year (61.1 percent). They are followed by adverse opinions, i.e. 19, which represent 20.6 percent. This is two percent more than in the previous year (18.5 percent). There were 17 qualified opinions expressed, which is 18.5

percent of the total share. Compared to the year 2011, the share decreased by two percentage points (from 20.4 percent). The most common reasons for expressing qualified opinions and adverse opinions were violations of acts and other rules that regulate the financing of users of public funds.

In the case of financial audits, the Court of Audit expressed as many as 42 unqualified opinions, which represents 63.9 percent. In 2011, such opinions amounted to 64.9 percent, which means that the share of unqualified opinions stayed at the same level and is still substantially high at the hands of the organisers of election and referendum campaigns. Qualified opinions follow. There were 23 of them, which is 34.8 percent; the share of such opinions in 2011 amounted to 32.4 percent. In 2012, there was again just one adverse opinion expressed. This represents only 1.6 percent of all opinions, which is even lower than in 2011 (2.7 percent).

Most common errors and irregularities

The Court of Audit carries out audits of the regularity of operations of users of public funds by reviewing compliance with regulations. Operations of users of public funds are regulated by a number of acts and regulations, namely their financial operations are regulated by legislation from the broad field of public finance, the accounting and payment of salaries of employees is regulated by labour legislation while operations of budget users are regulated also by many other relevant regulations. The most common errors and irregularities, disclosed in 2012 by the Court of Audit in its audit reports, are put forward in the continuation of the report.

The most frequent errors and irregularities in the field of public procurement can be summarised as follows:

- insufficient planning of investments / purchases / service contracts in the phase before tendering;
- unjustified application of exemptions in the sense of deviating from the rules of the Public Procurement Act (ZJN-2) respectively Public Procurement in Water Management, Energy, Transport and Postal Services Area Act (ZJNVETPS);
- unjustified application of a less competitive public procurement procedure (for example, negotiated procedure without prior publication of a contract notice);
- unclear tender documentation / contract notice;
- when preparing the tender, the contracting authority may request from the tenderer to enter the same data in several different forms which by nature serve the same purpose;
- allowed access to technical specification of a public contract to all interested potential tenderers simultaneously before the time limit for the submission of tenders. This means risk of collusion between tenderers in setting prices and other commercial terms;
- disproportionally (too strictly) defined conditions / selection criteria;
- unclear qualification assessment criteria;
- inadequately defined criteria - no weighting of individual (sub)criteria;
- excessive number of (sub)criteria that leads to non-transparent assessment - even for the person that has defined the (sub)criteria, i.e. the contracting authority;
- decreased severity of conditions since their publication, which poses a risk of jeopardising competition, equal treatment of tenderers and economy;
- no definition of the number of negotiation rounds (if admissible) respectively no definition of an objective criterion for the completion of negotiations;

- unjustified splitting of contracts into several smaller ones, which means avoiding one of the more stricter public procurement procedures or publication rules;
- conclusion of annexes without the implementation of a relevant public procurement procedure respectively without any legal basis;
- unjustified conclusion of annexes for more works, „unforeseen works“, „urgent“ works, additionally ordered works, etc, the value of which can even exceed the value according to the underlying contract;
- insufficient control by the contracting authority over the implementation of individual contract provisions.

The most common irregularities disclosed in 2012 by the Court of Audit in its regularity and performance audit reports related to the operations of municipalities are the following.

As regards the incurrence of liabilities respectively budget implementation, the following irregularities were established: the budget was prepared only to the level of items; not all the required data were disclosed in the budget and in the annual financial statement of the municipality budget; the realisation by budget items was higher than planned in the current budget; overdue and outstanding liabilities on the last day of the year exceeded planned funds; liabilities were not settled within time limits prescribed with the Act on the Implementation of the Budget; the payment of invoices was not based on the contract or purchase order; no penalty for exceeding the time limit for the completion of works was charged and neither were there reasons indicated for a justified delay by the contractor; there were no required financial securities obtained from contractors or they were obtained too late.

Irregularities were also found in the field of management of tangible assets in local communities: municipalities failed to establish complete records on lands and buildings in their ownership; the acquisition and disposal of real estate was not planned in the annual plan or was included in the plan only after the conclusion of the contract; the municipalities carried out real estate management procedures without the adoption of individual programmes for real estate management and without any appraisals or based on inadequate appraisals; they concluded direct contracts without complying with relevant conditions or observing the prescribed procedures; the municipalities did not reveal their intentions on the conclusion of direct contracts.

In relation to the disposal of real estate of municipalities it was also established that the municipalities issued land register permissions for the entry of the property right in the land register prior to the reception of the entire purchase price; they did not charge any statutory default interest for the late payment of the purchase price; the payment period indicated on the invoices was longer than that in the contracts; in the event of non-compliance with the essential condition of the contract on the sale of land, there was no procedure initiated for the annulment of the contract respectively the municipality did not act accordingly.

In respect of the renting of real estate, it was found, aside from the findings concerning real estate management, that real estate was given for rent or free use without a prescribed procedure; the real estate was given for rent for an unlimited period of time respectively for a period longer than permitted under relevant regulations; the rent was unduly reduced; the public tender did not define criteria for the evaluation of tenders respectively the criteria did not meet basic principles of real estate management.

In the allocation of transfers the following irregularities were established: transfers were allocated without

a public tender; the public tender did not include all the required elements; there was no local programme of culture adopted; the Commission in charge of the tendering procedure for the allocation of transfers included members who were associated by interest with the recipient of transfers; the Municipality transferred funds to the recipient of funds without the conclusion of a contract; the legal entity was allocated funds without the Municipality complying with the rules for the granting of state aid.

Irregularities were also established in public procurement: public contracts were not awarded appropriately; the Municipality divided the investment into several lots and thus avoided the public procurement procedure; tenderers were unduly excluded from the public procurement procedure and negotiated procedure; annexes to the underlying contract were concluded contrary to regulations respectively after the completion of works; the Municipality concluded an agreement on the implementation of investment with a company partly owned by the Mayor, which is contrary to the Integrity and Prevention of Corruption Act.

In the field of the borrowing of municipalities, the Court of Audit established that the municipalities concluded contracts which in substance were deemed trade credits and for which they did not obtain the consent of the Ministry of Finance and are not included in the permitted scope of debt repayment; the borrowing of the Municipality exceeded the permitted limit; the Municipality approved for the person governed by private law short-term loans contrary to the relevant regulations.

As regards the allocation of funds for the functioning of councillor groups, the latter used funds for the purposes which cannot be seen as part of matters of public interest.

Also highlighted should be irregularities in the establishment of rights of superficies, which were found to have been established under the projects of construction and equipment of kindergartens and a school. Such projects were considered public contracts for the construction and equipment of a building, which is why the municipalities should have implemented the procedures in accordance with the Public Procurement Act and thus comply with the regulations pertaining to the borrowing of municipalities and regulations related to the preparation of investment documentation. Irregularities were found also in the establishment of the person governed by private law, where the Municipality did not show public interest for such establishment.

Among the more material irregularities in financial statements of public institutes were, inter alia, the following:

- the Institute did not depreciate a part of capitalised costs of investments in foreign tangible fixed assets; it disclosed among tangible fixed assets also property rights and investments in foreign fixed assets, which should have been disclosed among intangible fixed assets;
- the Institute failed to depreciate intangible and tangible fixed assets according to depreciation rates and depreciation groups of fixed assets, as determined by the Rules on the method and rates of depreciation of intangible fixed assets and tangible fixed assets;
- it disclosed the difference between the book value and the purchase price for the expropriated land as operating expenses from revaluation rather than liabilities for assets under management;
- the investments in premises were not taken as the increased value of buildings but were disclosed among routine maintenance costs; the equipment purchased was disclosed among the costs of material and services rather than under tangible fixed assets;
- the Institute failed to fully write off at once the purchased small tools against the liabilities for assets under management;

- the adjustment of the value of receivables for advances for tangible fixed assets was not disclosed in accordance with the adopted adjustment policy;
- the Institute disclosed the investments in ten-year bonds of the Republic of Slovenia among short-term investments rather than among long-term investments and did not generate for this amount liabilities for long-term investments;
- funds received from the Ministry for the co-financing of the project were disclosed as revenue rather than increased liabilities;
- the Institute failed to disclose in the off-balance sheet the received guarantees;
- at the end of the year, the Institute failed to harmonise the state of assets and liabilities with the actual state as established during the inventory and neither did it compile an inventory of library material;
- due to the non-compliance with the principle of recording transactions after their occurrence, the claims against users of the unified chart of accounts disclosed by the Institute were too low, deferred expenses and accrued revenues were disclosed too high and the operating income was disclosed too low;
- the Institute disclosed excessive depreciation costs; chargeable to revenues it covered also costs not recognised in the price of services; the state of liabilities for intangible and tangible fixed assets was thus disclosed too high and for the same amount too low the excess of revenues over expenses, which the Institute should have used, in accordance with the Rules on Breaking Down and Measuring Revenues and Expenses of Legal Entities under Public Law, to cover the excess of expenses over revenues from the previous years;
- in preparing a statement of revenues and expenses according to the types of activities, it did not comply with the regulations;
- the Institute failed to make an inventory of fixed assets respectively establish the actual state and there was no basis for the harmonisation of the accounting state with the state established at the time of the inventory;
- analytical accounts of tangible fixed assets were not harmonised with the general ledger.

The most common irregularities in the field of employment, salaries and other costs related to the work under non-commercial public services:

- irregular determination of a basic salary of a civil servant;
- in the financial plan for the year 2010, the Institute did not specify the scope of funds for salaries and neither did it determine respectively establish the scope of funds from the savings for salaries before rewarding its civil servants for their work performance due to increased work load;
- contrary to the Decree laying down share of salary for work performance to be paid for the increased work load to civil servants in the public sector, the Institute rewarded the director for his work performance due to increased work load without discussing this in the Council of the Institute;
- the Institute concluded with the civil servants contracts on the traineeship at workplaces for which they were not qualified after their completion of the traineeship as well as employment contracts for workplaces for which the civil servants did not have sufficient work experience;
- irregular calculation and payment of a long-service bonus, mentoring bonus and grade-related allowance;
- civil servants were promoted before meeting all the required conditions;
- the Staff Establishment Act was not in accordance with the Public Sector Salary System Act and collective agreements; the civil servants were placed to workplaces they were not qualified for;
- the Institute in employing civil servants failed to provide accessibility to workplaces to all the candidates under the same conditions, as determined by the Civil Servants Act and Employment

Relationship Act.

Other irregularities in non-commercial public services:

- there was insufficient control exercised over the payments under copyright contracts and work contracts; payments were based on incomplete and unauthorised documentation;
- it is not possible to establish from the accounting records all the project costs nor is it possible to establish the efficiency and effectiveness of projects and the purpose of funds;
- travel orders were issued at the end of business trips, external contractors had their costs reimbursed on the basis of incomplete documents, which is contrary to Slovenian accounting standards;
- the financial plan of the Institute was not drawn up in accordance with the Public Finance Act;
- contrary to the Decree on Physical Assets of the State, Regions and Municipalities, the Institute rented premises without concluding agreements with tenants respectively charging rents;
- the Foundation failed to provide an adequate basis for the work of the bodies of the Foundation since it did not predefine the financial evaluation of programmes and did not set the rules and criteria concerning the distribution of funds;
- the decisions of the Council of the Foundation and the Board of Appeal concerning the scoring and the allocation of funds did not indicate the criteria for deciding on applications and did not specify the method of application of such criteria, which is contrary to the provisions of the General Administrative Procedure Act and of the Ownership Transformation of the Lottery of Slovenia Act; the Board of Appeal did not comply with those regulations and legal bases that were observed by the authority deciding in the first instance and did thus not distribute funds in accordance with the adopted criteria and procedures for the scoring and the evaluation of applications.

Irregularities with commercial public service providers were the following:

- the commercial public service activity was not defined by the Municipality ordinance;
- the concession for the provision of a commercial public service was granted without a public tender;
- without finding a relevant legal basis in the Concession Act, the Municipality charged a compensation to the commercial public service provider to charge the concession fee;
- contrary to the Spatial Planning Act, the Municipality unduly charged a building land development fee for the construction of a natural gas distribution network, even though the overall funding of the infrastructure construction was taken over by the concessionaire.

In the field of public funds and public agencies, the irregularities notably concerned the determination of salaries and payroll accounting for civil servants as well as the abandonment of the duty to collect revenue due. As regards the European funds, the Court of Audit established inefficiencies especially in the fields of planning, monitoring and data availability.

PRESENTATION OF WORK BY AUDIT DEPARTMENTS AND IMPLEMENTED AUDITS

The field of the state budget and direct state budget users

In 2012, the audit department B1 issued 73 audit reports and one post-audit reports. Out of the issued 73 reports, as many as 67 were regularity audits concerning the financing of the organisers of election and referendum campaigns. Audits reports issued in 2012 are the following:

1. Regularity of financing the referendum campaign of the Slovene Union of Trade Unions for the referendum on the Pension and Disability Insurance Act;
2. Regularity of financing the referendum campaign of the Union of Workers' Trade Unions of Slovenia for the referendum on the Pension and Disability Insurance Act;
3. Regularity of financing the referendum campaign of the party of DeSUS, Democratic Party of Pensioners of Slovenia, for the referendum on the Pension and Disability Insurance Act;
4. Regularity of financing the referendum campaign of the party of ZS, Greens of Slovenia, for the referendum on the Prevention of Illegal Work and Employment Act;
5. Regularity of financing the referendum campaign of the party of ZS, Greens of Slovenia, for the referendum on the Mini Jobs Act;
6. Regularity of financing the referendum campaign of the party of SEM-Si, Slovenian Party of Equal Opportunities, for the referendum on the Pension and Disability Insurance Act;
7. Regularity of financing the referendum campaign of the party of SU, Slovenian Union, for the referendum on the Pension and Disability Insurance Act;
8. Regularity of financing the referendum campaign of the Chamber of Commerce and Industry of Slovenia for the referendum on the Pension and Disability Insurance Act;
9. Regularity of financing the referendum campaign of the party of SMS, Youth Party - European Greens, for the referendum on the Pension and Disability Insurance Act;
10. Regularity of financing the referendum campaign of the party of SSN, Party of Slovenian People, for the referendum on the Pension and Disability Insurance Act;
11. Regularity of financing the referendum campaign of the party of SSN, Party of Slovenian People, for the referendum on the Prevention of Illegal Work and Employment Act;
12. Regularity of financing the referendum campaign of the party of ZARES, Social Liberals, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
13. Regularity of financing the referendum campaign of the party of ZARES, Social Liberals, for the referendum on the Pension and Disability Insurance Act;

14. Regularity of financing the referendum campaign of the party of SEM-Si, Slovenian Party of Equal Opportunities, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
15. Regularity of financing the referendum campaign of the party of SMS, Youth Party - European Greens, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
16. Regularity of financing the referendum campaign of the party of KSS, Christian Socialist Party, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
17. Regularity of financing the referendum campaign of the party of KSS, Christian Socialist Party, for the referendum on the Pension and Disability Insurance Act;
18. Regularity of financing the referendum campaign of the party of ZS, Greens of Slovenia, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
19. Regularity of financing the referendum campaign of the Association for Responsible Future of All Generations for the referendum on the Mini Jobs Act;
20. Regularity of financing the referendum campaign of the party of SLS, Slovenian People's Party, for the referendum on the Mini Jobs Act;
21. Regularity of financing the referendum campaign of the Slovenian Federation of Pensioners' Organisations for the referendum on the Mini Jobs Act;
22. Regularity of financing the referendum campaign of the party of SDS, Slovenian Democratic Party, for the referendum on the Mini Jobs Act;
23. Regularity of financing the referendum campaign of the Movement for Decent Work and Welfare Society for the referendum on the Mini Jobs Act;
24. Regularity of financing the referendum campaign of the Union of Free Trade Unions of Slovenia for the referendum on the Mini Jobs Act;
25. Regularity of financing the referendum campaign of the party of ZARES, Social Liberals, for the referendum on the Mini Jobs Act;
26. Regularity of financing the referendum campaign of Darko Zupanič for the referendum on the Mini Jobs Act;
27. Regularity of financing the referendum campaign of the Ljubljana Regional Association of Pensioners for the referendum on the Mini Jobs Act;
28. Regularity of financing the referendum campaign of the Confederation of Trade Unions of Slovenia, PERGAM, for the referendum on the Pension and Disability Insurance Act;
29. Regularity of financing the referendum campaign of the Slovenian Federation of Pensioners' Organisations for the referendum on the Pension and Disability Insurance Act;
30. Regularity of financing the referendum campaign of the Government Communication Office of the Republic of Slovenia for the referendum on the Mini Jobs Act;
31. Regularity of financing the referendum campaign of the Ljubljana Regional Association of Pensioners for the referendum on the Pension and Disability Insurance Act;
32. Regularity of financing the referendum campaign of the party of LDS, Liberal Democracy of Slovenia, for the referendum on the Pension and Disability Insurance Act;
33. Regularity of financing the referendum campaign of the party of SD, Social Democrats, for the referendum on the Pension and Disability Insurance Act;
34. Regularity of financing the referendum campaign of the OPS Movement, Conscious Citizens of Slovenia, for the referendum on the Prevention of Illegal Work and Employment Act;

35. Regularity of financing the referendum campaign of the Confederation of Trade Unions '90 of Slovenia for the referendum on the Pension and Disability Insurance Act;
36. Regularity of financing the referendum campaign of the party of LDS, Liberal Democracy of Slovenia, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
37. Regularity of financing the referendum campaign of the party of SD, Social Democrats, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
38. Regularity of financing the referendum campaign of the party of SLS, Slovenian People's Party, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
39. Regularity of financing the referendum campaign of the party of SLS, Slovenian People's Party, for the referendum on the Pension and Disability Insurance Act;
40. Regularity of financing the referendum campaign of the party of LDS, Liberal Democracy of Slovenia, for the referendum on the Prevention of Illegal Work and Employment Act;
41. Regularity of financing the referendum campaign of the party of ZARES, Social Liberals, for the referendum on the Prevention of Illegal Work and Employment Act;
42. Regularity of financing the referendum campaign of the party of SD, Social Democrats, for the referendum on the Prevention of Illegal Work and Employment Act;
43. Regularity of financing the referendum campaign of the party of KSS, Christian Socialist Party, for the referendum on the Prevention of Illegal Work and Employment Act;
44. Regularity of financing the referendum campaign of the party of SLS, Slovenian People's Party, for the referendum on the Prevention of Illegal Work and Employment Act;
45. Efficiency and effectiveness of planning and implementing the construction of economic development logistics centres;
46. Regularity of financing the referendum campaign of the OPS Movement, Conscious Citizens of Slovenia, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
47. Regularity of financing the referendum campaign of the OPS movement - Conscious Citizens of Slovenia, for the referendum on the Pension and Disability Insurance Act;
48. Regularity of financing the referendum campaign of the Regional Chamber of Craft and Small Business Maribor for the referendum on the Pension and Disability Insurance Act;
49. Regularity of financing the referendum campaign of the Government Communication Office of the Republic of Slovenia for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
50. Regularity of financing the referendum campaign of the Government Communication Office of the Republic of Slovenia for the referendum on the Prevention of Illegal Work and Employment Act;
51. Regularity of financing the referendum campaign of the Government Communication Office of the Republic of Slovenia for the referendum on the Pension and Disability Insurance Act;
52. Regularity of financing the referendum campaign of the Movement for Decent Work and Welfare Society for the referendum on the Pension and Disability Insurance Act;
53. Regularity of financing the referendum campaign of the party of ZS, Greens of Slovenia, for the referendum on the Pension and Disability Insurance Act;
54. Regularity of financing the referendum campaign of the party of SDS, Slovenian Democratic Party, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;

55. Regularity of financing the referendum campaign of the party of SDS, Slovenian Democratic Party, for the referendum on the Prevention of Illegal Work and Employment Act;
56. Regularity of financing the referendum campaign of the party of SDS, Slovenian Democratic Party, for the referendum on the Pension and Disability Insurance Act;
57. Regularity of financing the referendum campaign of the Confederation of New Trade Unions of Slovenia, Independence, for the referendum on the Pension and Disability Insurance Act;
58. Regularity of financing the referendum campaign of the Union of Free Trade Unions of Slovenia for the referendum on the Pension and Disability Insurance Act;
59. Regularity of financing the election campaign of Dr László Göncz for a deputy of the Hungarian national community in the early elections to the National Assembly in 2011;
60. Regularity of financing the election campaign of Dušan Orban for a deputy of the Hungarian national community in the early elections to the National Assembly in 2011;
61. Regularity of financing the election campaign of the list of DeSUS, Democratic Party of Pensioners of Slovenia, for deputies in the early elections to the National Assembly in 2011;
62. Efficiency of the preparation of budgets for the years 2011 and 2012;
63. Efficiency of contract management;
64. Regularity of financing the election campaign of Roberto Battelli for a deputy of the Italian national community in the early elections to the National Assembly in 2011;
65. Regularity of financing the election campaign of the list of N.Si, New Slovenia - Christian People's Party, for deputies in the early elections to the National Assembly in 2011;
66. Regularity of financing the election campaign of the list of SD, Social Democrats, for deputies in the early elections to the National Assembly in 2011;
67. Proposal of the annual financial statement of the state budget 2011;
68. Regularity of financing the election campaign of the list of SLS of Radovan Žerjav, Slovenian People's Party, for deputies in the early elections to the National Assembly in 2011;
69. Regularity of financing the election campaign of the Zoran Janković List, Positive Slovenia, for deputies in the early elections to the National Assembly in 2011;
70. Regularity of financing the election campaign of the Gregor Virant's Civic List for deputies in the early elections to the National Assembly in 2011;
71. Regularity of financing the election campaign of the list of SDS, Slovenian Democratic Party, for deputies in the early elections to the National Assembly in 2011;
72. Operations of the District Court of Nova Gorica;
73. Regularity of operations of the National Council of the Republic of Slovenia.

There was one post-audit report issued:

1. Corrective measures of the District Court of Nova Gorica.

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

In 2012, department B1 reviewed all annual reports on the operations of the political parties for the year 2011 in line with the Political Parties Act. The political parties must submit to the National Assembly of the Republic of Slovenia their annual reports on their operations. Before being delivered to the National Assembly, the reports must be examined by the Court of Audit. Records on the examination must be attached to the annual reports and delivered to the National Assembly. Every political party must submit to the Court of Audit their annual report by March 31 of the current year at the latest.

The annual report on the operations of the political party must include all income and expenditure of the party and especially sources of the income. The annual report must disclose data on the company, the seat of the legal entity respectively name, surname and address of the natural person and the amount contributed annually by the legal entity or natural person, if the total amount of contributions for the year concerned exceeds three times the average monthly salary of an employee in the Republic of Slovenia, as well as data on election costs. The annual report must also include the political party's assets; all changes in the assets must be described, including the sources of funds for increasing the assets if this increase exceeds the total amount of five average gross salaries of an employee in the Republic of Slovenia according to the data of the Statistical Office of the Republic of Slovenia for the year concerned. The Court of Audit assesses whether annual reports of political parties meet the requirements stated in regulations concerning operations of political parties.

The control over the implementation of provisions of the Political Parties Act, the violations of which are considered minor offences, is carried out by the Inspectorate of the Republic of Slovenia authorised for internal affairs, except the control over the implementation of provisions related to the financing of political parties, which is exercised by the Ministry of Finance.

Efficiency of the Preparation of Budgets for the Years 2011 and 2012

Budget preparation process

The process of preparing budgets for the years 2011 and 2012 was governed by the Public Finance Act and two Decrees on the documents of development planning bases and procedures for the preparation of the central government budget (hereinafter: decree on the preparation of the budget and new decree on the preparation of the budget), which were not harmonised. The process was thus governed in different ways. Involved in the preparation of the budgets for the years 2011 and 2012 were also working groups. Members of the working groups were mainly satisfied with the results of their work, but the results were not reflected in the budget adopted for the years 2011 and 2012 since the breakdown of funds within the policy was set out in a different way than determined in the conclusions of the working groups.

Economic development assumptions and revenue forecast

In accordance with the provisions of the new decree on the preparation of the budget, the Government of the Republic of Slovenia may decide which forecasts of economic trends (Institute of Macroeconomic Analysis and Development (hereinafter: IMAD), Bank of Slovenia, European Commission, Organisation for Economic Co-operation and Development) will be used to determine economic development assumptions. Such arrangement poses a risk that the identification of economic development assumptions and revenue forecast will be based on the selected forecast that best suits the needs of the Government as regards the amount of the planned revenue and fiscal policy. Used for the preparation of fiscal scenarios under the Budget Memorandum 2011-2012 were forecasts by IMAD, but the calculations were based on the spring forecast 2010 rather than the autumn forecast 2010, which in the Memorandum is presented as a starting point. Based on the long-term comparison of forecasts of various (also foreign) institutions, the IMAD forecasts proved comparable with other forecasts. It can thus be concluded that the IMAD forecasts provide a good basis for the determination of assumptions of economic development and a target development scenario and the calculation of revenue. Irrespective of the fact that IMAD is deemed a government budget user and that there exists a risk of bias or political influence on its work, it can be assessed on the basis of audit verifications that the status of IMAD did not affect the accuracy of its forecasts.

Fulfilment of the commitments of the Stability and Growth Pact

It can be derived from the Stability Programmes 2009, 2010 and 2011 that the objective of deficit reduction was shifted to later years while the entire burden of consolidation and excessive deficit elimination was postponed to the years 2012 and 2013, when the deficit of the Republic of Slovenia may not exceed three percent of GDP. The Stability Programme 2011 alone indicates that even in the event of a slight deterioration in macroeconomic indicators it will not be possible to achieve the objective of a deficit of three percent in 2013 without a much more extensive general government expenditure intervention than predicted or without additional measures on the revenue side. The commitment to the consolidation of public finances was not binding enough, since it did not give firm guarantees that at least the minimum objective would be met (reduction of the general government deficit to below three percent of GDP). The Court of Audit also estimates that it would be more appropriate to plan measures to such an extent that they would ensure compliance with the requirements of the Pact and the EU Council, even with the change of macroeconomic indicators. The major part in the structure of the general government deficit by four public finance budgets in 2009 and 2010 is represented by the state budget. The latter represents about a half of all general government expenditure and created approximately 90 percent of the total general government deficit in the years concerned. The lack of difference between the limit and target value of debt can in a period of recession cause the volume of debt very quickly reach the limit value, which may have a limiting impact on the further fiscal policy development function and lead to a pro-cyclical fiscal policy.

Fiscal rule

Fiscal rule, by definition, can be understood as a permanent constraint on fiscal policy through simple numerical limits on individual budget categories, such as budget deficit, budget debt or borrowing. The purpose of fiscal rules is to limit Government spending, which would accumulate debt at the expense of future generations. In the systems where the Government alone is capable of limiting the spending (especially in times of economic growth), fiscal rules are not actually needed. In the Republic of Slovenia, the fiscal rule has been included in a decree. It would be more appropriate to place the fiscal rule in a superior instrument which would require the consideration of the fiscal rule also in the National Assembly of the Republic of Slovenia. Very important for the compliance with the fiscal rule are also various enforcement mechanisms (corrective mechanisms), sanctions in case of non-compliance with the rule and formal monitoring by independent bodies. Such elements „force“ the Government to comply with the rule and ensure the efficiency of the fiscal rule regardless of the economic and political changes. Exemption clauses are important as well. Upon the fulfilment of certain conditions, they allow for the controlled derogation from the fiscal rule and the return within the framework thereof.

Fiscal Council

In the European Union, Fiscal Councils generally do not have as extensive tasks as the Slovenian Fiscal Council, but on the other hand the powers of the Slovenian Fiscal Council are weak. Its role is mainly advisory, which means that it is not involved in the fiscal decision-making and has an advisory role only indirectly since it provides an assessment of the decisions, actions and events that have already occurred or are already contained in the documents of fiscal policy. In the majority of cases, the powers of the compared Fiscal Councils include also the verification of the compliance of the budget with the fiscal rules, which, however, does not apply for the Slovenian Fiscal Council. Most Fiscal Councils also have certain ex ante powers that enable the acquaintance both of the Government and the public with the opinion related to the effects of the proposed fiscal policy. The Court of Audit assesses that the ex ante

analysis of key elements of the sustainability of public finances in the adoption of the budget and fiscal policy as well as public presentation of the opinion about it could contribute significantly to sustainable fiscal policy.

Efficiency of Contract Management

Contract management planning

At the governmental level, there has been no common framework adopted, which would include guidelines for determining elements and defining complete contract management process at the ministries. A good contract management process is conditioned upon the establishment of a good flow of information within a particular budget user, which, however, was not adequate in all the cases examined. The custodian of the contract, for example, was not present at all the meetings between the management and the contractor and was not aware of the arrangements for the implementation of the contract. Assessed as problematic were also changes of custody since the internal rules and regulations do not govern the transfer of custody to another person. In the majority of cases, there is thus no handover performed, which would ensure the handing over of all the key information about the history of contract implementation, any difficulties, cooperation with business partners and other useful information. Also important in the planning of contract management is the advance definition of risks that may arise from the contract or from the contract management process. Particularly noted should be risks associated with the possibility of the failure to fulfil contractual obligations. The Court of Audit established that the risk registers, which represent a systematic risk management tool, did not include all the risks in the process of contract management respectively that the budget users did not perceive all the risks in the process of contract management.

Contract management sources

As at 31 December 2009, according to the data of the ministries, there were 1,843 contract custodians active at the ministries, responsible for 15,221 contracts applicable on the day concerned. In average, a slightly more than eight contracts fell under the responsibility of one custodian. The problem of overwork and lack of time is particularly present in the custody of works contracts, where the quality execution of custodian tasks requires direct contact with the supervision and the contractor while at the same time the value of such contracts is high, which means that the lack of expertise or precision in the implementation of tasks may bring significant financial implications. The Court of Audit established that there were no mechanisms integrated in the process of contract management, which would ensure the preparation of documentation and the implementation of all the procedures for a timely contract award respectively the conclusion of a new contract before the expiry of the existing contract. The contracts were namely not completed in a timely manner. This was observed especially with the contracts from the field of information technology maintenance. There is no uniform information tool in place for the custodians, which would facilitate or simplify the monitoring of the implementation of contracts. The monitoring of investments is not computerised, which makes the overview of the project impaired. One example of good practice was the implementation of the project of e-business in the field of financial accounting, which eliminated the „circulation“ of invoices at the Ministry and reduced the risk of late payment. The records of contracts were found incomplete and can therefore not be entirely used for the purpose prescribed. There is no safety mechanism integrated in the MFERAC application, which would prevent the preparation of a preload financial element without the entry in the contract records.

Content and type of contracts

With more complex and expensive projects, the Ministries prefer contracts with the „turnkey“ clause and

do not follow the theory related to the award of works contracts. According to the basic guideline, fixed price contracts („turnkey clause“) should be concluded for simple projects, where the quality of implementation can easily be checked also after the completion (ex post), while contracts with variable price that depends on the actual costs incurred should be concluded for more complex projects, where it is difficult to verify the quality of implementation ex post. 64 percent of the works contracts examined were concluded with the „turnkey clause“. The average value of contracts concluded with the „turnkey clause“ was more than ten times higher than the average value of contracts with the price determined per unit. Irrespective of the „turnkey“ clause, there were annexes concluded to a quarter of the contracts with the clause, which increased the contract value.

Monitoring of the implementation of contracts

Very helpful for contracting authorities in the case of works contracts can be supervisors who in accordance with the Construction Act verify the compliance of works with the project and building regulations. There is primarily a risk of connection between supervisors and contractors, who are in daily contact. In the majority of cases, contracts provided for sanctions for delay in complying with contractual obligations and for unsatisfactory compliance with the obligations as well as a warranty guarantee. However, the contractual sanctions, though possible, were rarely applied. In the period covered by the audit, only 30 bank guarantees were realised and 457 contractual penalties charged in the total amount of EUR 8,531,549, which means that a bank guarantee or a contractual penalty applied to only one percent of contracts concluded during this period.

Contract management control

Internal rules and regulations of the ministries do not in any way provide for the obligation of reporting after the completion of contracts and neither do they impose the preparation of the assessment of economic viability of the purchase of goods or services after the fulfilment of contracts. The quality of business relations may be reduced also by the dependence of the contracting authority on contractor's services in performing statutory duties. This is a significant problem with the majority of contracts from the field of information technology maintenance.

Proposal of the Annual Financial Statement of the Budget of the Republic of Slovenia for the Year 2011

General findings

- The Ministry of Finance does not keep harmonised records on contracts and preload and has therefore no clear insight into the existing budgetary commitments for the coming years.
- After 26 September 2011, with the prohibition of budgetary commitments, the government budget users concluded contracts in the value of EUR 161.6 million respectively 26.5 percent of all the contracts concluded in 2011.
- The general budget provision in the amount of EUR 42.7 million was used by the Government of the Republic of Slovenia for the intended purposes (salaries, promotion costs, allocation of financial incentives, payment of social transfers, settlement of fees, costs of diplomatic and consular missions, completion of individual projects).
- The Ministry of Finance failed to issue a regulation for the implementation of professional examinations in public procurement.
- Individual government budget users did not include in the contracts an anti-corruption clause, which in accordance with the Integrity and Prevention of Corruption Act is mandatory in contracts with the

value higher than EUR 10.000.

Salaries

- Compared to the year 2010, the scope of funds for the salaries of government budget users decreased by 0.88 percent in 2011.
- The average annual cost of salaries in 2011 compared to 2010 increased by 1.21 percent (due to promotions, qualifications obtained, higher titles awarded, ...).
- In 2011, the amount of funds paid for work performance by the government budget users decreased by 38.7 percent compared to 2010. Only work performance for the increased work load was paid, i.e. in the total amount of EUR 4.9 million.
- Compared to December 2010, the number of salary earners in December 2011 decreased by 2.09 percent respectively by 719 employees.
- The examination of employment and salaries showed that the government budget users: placed civil servants to workplaces they were not qualified for; classified civil servants into salary grades that were too high; failed to calculate and pay night work over-time bonuses; published job vacancies contrary to the job classification; failed to ensure equal accessibility to all the interested parties; failed to terminate an employment relationship where an employee had not passed an exam; irregularly set promotions of civil servants.

Other expenditure and transfers

- Some government budget users failed to harmonise the internal rules and regulations with the Decree amending the Decree of the use of official mobile phones and services of mobile operators in public state authority.
- In 2011, the budgetary resources used by the government budget users for mobile telephony amounted to EUR 1.05 million.
- In average, 19 percent of employees were using official mobile phones; more than 40 percent of employees using official mobile phones worked at the then Ministry of Transport, the then Ministry of the Economy and the Ministry of Public Administration; the official mobile phone average annual consumption amounted to EUR 182, whereby the most conversations were conducted during the summer months.
- The government budget users provided EUR 3.3 million for the work of students through student services, which means that compared to the year 2010 the funds decreased by 18.61 percent; students worked from 300 to 878 hours annually; the average price of student work per hour amounted to EUR 5.35; this price was the highest at the Secretariat-General of the Government of the Republic of Slovenia, i.e. EUR 8.04 per hour.
- In 2011, the government budget users concluded contracts on a flat-rate basis in the total amount of EUR 56.4 million, of which at least the amount of EUR 39.9 million was used for the maintenance of computer equipment and software.
- Contracts with the total value of at least EUR 27 million were not concluded according to the public-private partnership model.
- In 2011, the amount of EUR 1,842.6 million was paid from the budget as a current transfer to indirect budget users, of which the amount of EUR 957 million was allocated to salaries; compared to the year 2010, the funds for indirect budget users increased by one percent respectively by the amount of EUR 16.7 million.

The examination of individual transactions showed:

- inconsistencies in budgetary commitments - inadequate integration of commitments; payments did not find the basis in authentic bookkeeping documents; the payments were not examined for their legal basis or the scope of commitments; contracts were not awarded based on concluded contracts; non-compliance with the principles of purpose, efficiency and economy; settlement of liabilities within the time limits longer than prescribed;
- inconsistencies in the award of contracts - inadequate public procurement procedure; discrimination of tenderers; irregular management of contract award procedures;
- inconsistencies in the allocation of transfers - non-tendering and inadequate public tenders for the allocation of funds; lack of control over the operations of legal persons; non-adoption of the methodology for the funding of education; late confirmation of work programmes and financial plans of indirect budget users; no determination of an annual programme of investments in public health care institutions; no determination of liabilities concerning the charge of a part of depreciation of public health care institutions.

Audits from the field of local communities

In 2012, the Court of Audit was carrying out 34 audits in the field of local communities. It issued 14 audit reports and expressed opinions on the operations of 14 auditees. 11 audit reports had the objective of expressing an opinion on the regularity of operations of a municipality while in three audit reports the audit objective was to express an opinion on the regularity and efficiency of operations of a municipality. There were 11 adverse opinions expressed as well as three qualified opinions.

In 2012, also two post-audit reports referring to audit reports from 2012 were issued, which required from the municipalities the submission of a response report.

Audits reports issued in 2012 are the following:

1. Regularity of operations of the Municipality of Ljubljana, related to the sale and exchange of land;
2. Regularity of operations of the Municipality of Murska Sobota, related to the sale and exchange of land;
3. Regularity of operations of the Municipality of Nova Gorica, related to the sale and exchange of land;
4. Regularity of operations of the Municipality of Postojna;
5. Regularity of operations of the Municipality of Radovljica;
6. Regularity of operations of the Municipality of Kočevje;
7. Regularity of operations of the Municipality of Celje;
8. Regularity of operations of the Municipality of Šentjur;
9. Regularity of a part of operations of the Municipality of Miklavž na Dravskem polju;
10. Regularity of a part of operations of the Municipality of Mežica;
11. Regularity of a part of operations of the Municipality of Bloke;
12. Establishment of the right of superficies in the Municipality of Dol pri Ljubljani;
13. Establishment of the right of superficies in the Municipality of Slovenska Bistrica;
14. Establishment of the right of superficies in the Municipality of Lenart.

There were two post-audit reports issued:

1. Corrective measures of the Municipality of Šentjur;
2. Corrective measures of the Municipality of Dol pri Ljubljani.

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

Table 3 illustrates issued audit reports, expressed opinions and potential demands to submit response reports.

Table 3: Issued audit reports, audit opinions and demands to submit response reports

Audit report	Opinion on the regularity of operations	Response report
Operations of the Municipality of Ljubljana, related to the sale and exchange of land	adverse opinion	not necessary
Operations of the Municipality of Murska Sobota, related to the sale and exchange of land	adverse opinion	not necessary
Operations of the Municipality of Nova Gorica, related to the sale and exchange of land	qualified opinion	not necessary
Operations of the Municipality of Postojna	adverse opinion	necessary
Operations of the Municipality of Radovljica	adverse opinion	not necessary
Operations of the Municipality of Kočevje	adverse opinion	not necessary
Operations of the Municipality of Celje	adverse opinion	not necessary
Operations of the Municipality of Šentjur	adverse opinion	necessary
Part of operations of the Municipality of Miklavž na Dravskem polju	qualified opinion	not necessary
Part of operations of the Municipality of Mežica	qualified opinion	not necessary
Part of operations of the Municipality of Bloke	adverse opinion	not necessary
Establishment of the right of superficies in the Municipality of Dol pri Ljubljani	adverse opinion	necessary
Establishment of the right of superficies in the Municipality of Slovenska Bistrica	adverse opinion	necessary
Establishment of the right of superficies in the Municipality of Lenart	adverse opinion	not necessary

Audit reports issued in 2012 covered the regularity of operations respectively the regularity and efficiency of a part of operations of municipalities. Audit reports for the Municipalities of Ljubljana, Murska Sobota and Nova Gorica cover the regularity of a part of operations in the period from 2007 to 2010. Audit reports for the Municipalities of Celje, Postojna, Radovljica, Kočevje, Šentjur cover the regularity of operations in 2010 whereas the audit reports for the Municipalities of Mežica, Miklavž na Dravskem Polju

and Bloke cover the regularity of a part of operations in 2010. Audit reports for the Municipalities of Lenart and Dol pri Ljubljani cover the regularity and efficiency of a part of operations related to the establishment of rights of superficies until 30 September 2010, and the audit report for the Municipality of Slovenska Bistrica covers the regularity and efficiency of a part of operations related to the establishment of rights of superficies until 31 December 2011.

The audit findings in these reports again show that the scope of infringement in the field of public procurement has been reduced. The scope of infringement has been reduced also in the field of borrowing while the same level of infringement has been kept in the field of transfers. The audit reports also cover new fields of municipal operations. The Court of Audit has not had much experience with performing audits in these fields so it does not come as a surprise that there are more established irregularities in these parts of operations. Some of the mayor findings should thus be highlighted.

The audit report Operations of the Municipality of Postojna notably indicates irregularities in granting a concession for the provision of a local commercial public service „steam and hot water supply“ as well as irregularities in establishing a person governed by private law. As regards the concession granting, the Court of Audit found irregularities already in the preparation of tender documentation and in determining the content of the concession contract, since the Municipality failed to determine the criteria for the selection of a concessionaire, the conditions to be complied with by the tenderer, the payment of a concession fee and the duration of the concession in accordance with the Ordinance on the concession for the provision of a local commercial public service „steam and hot water supply“ in the Municipality of Postojna. Also irregular was the selection of a concessionaire, since the Municipality of Postojna selected a tenderer who did not meet the terms of reference. Also highlighted should be the establishment of a company registered to do operations in the market to buy a share in another company that holds the concession for the use of natural assets in the Municipality of Postojna, with which the Municipality exceeded the local interest within the meaning of provisions of Article 73 of Public Finance Act. Irregularities were established also in the transfer of funds, transfer of land and the issue of the borrowing consent to the company concerned.

Among the irregularities identified in the audit of operations of the Municipality of Kočevje, two „in-house“ contracts for the implementation of investments should be emphasised, which did not comply with the conditions of provisions of point 8 of the first paragraph of Article 17 of the Public Procurement Act (ZJN-2), since the Municipality of Kočevje failed to exercise control over the operations of a public corporation, which would be comparable to the control over internal organisational units.

In auditing the operations of the Municipality of Šentjur, the Court of Audit established that the amount of payments executed by the Municipality under as many as 54 budget items exceeded the planned funds by the amount of EUR 1,475,445. In 2010, its assumed liabilities exceeded the planned funds by the amount of EUR 1,516,701.

In the year 2012, the Court of Audit continued with and completed the implementation of certain cross-sectional audits (management of municipal real estate, establishment of rights of superficies), which enable an in-depth examination of a specific part of municipal operations, assessment of good practices and potential deficiencies in the legislation.

Included in the cross-sectional audit with the objective of expressing an opinion on municipal operations

in the part related to the sale and exchange of land, were the Municipalities of Ljubljana, Murska Sobota and Nova Gorica. By examining the procedures, substantially similar irregularities were found in all three Municipalities. The Municipalities failed to establish complete records on the land in their ownership; there were irregularities found also in the planning of land disposal since the land subject to the sale respectively exchange was not included in the Municipalities' annual disposal plans respectively was included only after the conclusion of a contract; in the procedures for the sale respectively exchange of land, the Municipalities did not adopt individual tangible assets management programmes or the programmes adopted were found deficient. The value of the land was often not assessed before the disposal or the appraisals were older than six months. As regards the methods for the disposal of land, it was found that the Municipalities had been concluding direct contract without adequate basis respectively without complying with the relevant conditions. Also emphasised should be irregularities in the conclusion and fulfilment of contracts since the Municipalities issue or give land register permissions for the entry of the property right in the land register prior to the reception of the entire purchase price while the payment periods indicated on the invoices are longer than provided for in the contracts. In the case of the sale of land where the construction was not initiated within the time limit specified as an essential element of the contract, the Municipality did not respond to the delay in the manner provided for by law, and did not enforce the legal implications of the contractual provisions.

Aside from the usual examination, real estate management was given special attention also in the audits of operations of the Municipalities of Celje, Postojna, Radovljica, Kočevje and Šentjur. In terms of the sale and exchange of land, the findings are substantially very similar to the findings from the cross-sectional audit of the sale and exchange of land. Reintegrated in the audits was also the field of renting real estate. In this field, the audit findings are similar in all five audit reports and relate to the non-conclusion of individual tangible assets management programmes or deficiency thereof, old appraisals or lack of appraisals, selection of irregular methods of real estate renting as well as irregular tendering procedures. Also established was the free use of business premises made available irrespective of non-compliance with the relevant conditions as well as inadequate reduction in the rental price. The Municipalities were again found to have rental agreements concluded for an unlimited period of time.

The focus was placed also on the examination of expenditure for the provision of conditions for the work of municipal councils. In examining the allocation of funds to councillor groups, it is increasingly found that the municipalities pay funds for the purposes not related to the work of the municipal councils and the provision of conditions for the work of the councillor groups (bus service, banquets, individual foreign language courses, picnic equipment, etc.).

Included in the cross-sectional audit of the establishment of rights of superficies, with the objective of expressing an opinion on the regularity and efficiency of the relevant operations, were four municipalities. The year 2012 saw the completion of audits in the municipalities of Dol pri Ljubljani, Slovenska Bistrica and Lenart. In all three audits it was found that the Municipalities in the implementation of projects which included the establishment of rights of superficies failed to implement the procedure of constructing and equipping kindergartens and schools in accordance with the Public Procurement Act. They did thus not comply with the regulations pertaining to the borrowing of municipalities nor with the regulations governing the preparation of plans of development programmes and investment documentation. The Court of Audit namely found that the actual operations did not merely include the establishment of the right of superficies. The latter was only part of broader projects which represented a public contract for the construction and equipment of kindergartens and schools.

Aside from the irregular implementation of procedures, there were other irregularities established. The audit report Establishment of the right of superficies in the Municipality of Dol pri Ljubljani also indicates that the successful tenderer was allowed a longer time limit and was provided with more information for the preparation of an application and participation in the procedure. The Municipality thus made a distinction between the tenderers as well as accepted the tender of the successful tenderer as complete although it did not meet all the conditions laid down. The other two audits revealed that the tender documentation prepared by the Municipalities failed to enable the preparation of adequate and comparable tenders for the entire period of the established right of superficies, since it did not provide for the possibility and the method of revaluation of the rent determined as the sole criterion for the selection of tenderers. Under the performance audit, it was, inter alia, found that neither of the three Municipalities managed to define clearly in their contracts on the right of superficies potential financial obligations after the termination of the contracts. This could have negative financial consequences after the expiry of the rights of superficies. For the Municipality of Dol pri Ljubljani it was additionally assessed that in the case of borrowing the investment would cost the Municipality significantly less (more than EUR 100,000 per year) than in the case of the rent for the constructed premises, which will be actually used by the Municipality of Dol pri Ljubljani to repay the investment. Ten audited municipalities managed to eliminate the established irregularities, where possible, already during the audit procedure while in four instances the municipalities were requested to submit a response report.

The year 2012 saw the continued implementation of the performance audit of managing capital investments as well as performance audit of establishing companies. The decision for both audits is based on the received initiatives and estimated risk that capital investments are not managed effectively and efficiently respectively risk that the establishment of the company to perform particular activities was not necessary and not in the public interest. Inadequate was also the procedure for the establishment of the company. The Court of Audit has continued also with the auditing of part of operations of the Municipalities where no audits were carried out in the past. It namely seeks to complete the audits of operations of all the Slovenian municipalities in the shortest time possible.

Audits of non-commercial public services and associations

Audit department B3 that implements audits of public institutes, Health Insurance Institute of Slovenia, Pension and Disability Insurance Institute of Slovenia and associations operating in the public interest issued 11 reports in 2012 and expressed opinions to 16 auditees. Audit objective in four audits was to express an opinion on the regularity of operations. Four audits had the objective to express an opinion on financial statements and the regularity of operations. On one occasion, the objective was to express an opinion on the regularity and efficiency of operations. An opinion on financial statements was expressed in one audit. The Court of Audit expressed five opinions on financial statements, of which one unqualified, two qualified and two adverse. There were 13 opinions expressed on the regularity of operations, of which four unqualified, five qualified and four adverse. It also expressed an opinion on the credibility of a response report.

The following audit reports were issued in 2012:

1. Audit of the credibility of the response report by the Institute of Metals and Technology;
2. Financial statements and the regularity of operations of the Pension and Disability Insurance Institute

- of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije) in the year 2010;
3. Financial statements and the regularity of operations of the Health Insurance Institute of Slovenia (Zavod za zdravstveno zavarovanje Slovenije) in the year 2010;
 4. Financial statements of the Jožef Stefan Institute for the year 2009;
 5. Regularity of the use of funds for the implementation of active employment policy by Employment Service of Slovenia in the year 2010;
 6. Pursuit of foster care;
 7. Regularity of operations of the Foundation for the Funding of Sports Organisations in the Republic of Slovenia in the year 2010;
 8. Regularity of a part of operations of Radio Television Slovenia;
 9. Regularity of operations in the construction of the Planica Nordic Centre;
 10. Financial statements and the regularity of operations of the Športni objekti Maribor Public Institution;
 11. Financial statements and the regularity of operations of the National Education Institute of the Republic of Slovenia in the year 2011.

In 2012, three post-audit reports referring to audit reports from 2012 were issued:

1. Corrective measures of the Health Insurance Institute of Slovenia;
2. Corrective measures in the pursuit of foster care;
3. Corrective measures of the Foundation for the Funding of Sports Organisations in the Republic of Slovenia.

The year 2012 also saw the issue of one post-audit report referring to an audit report from 2010, i.e. Financial statements and the regularity of operations of the Institute of Metals and Technology in the year 2008.

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

The Court of Audit carried out the audit of the *pursuit of foster care* to assess the efficiency and the effectiveness of the Ministry of Labour, Family and Social Affairs (hereinafter: MDDSZ) in the pursuit of foster care and to express an opinion on the regularity of the foster care in four Centres for Social Work (Celje, Maribor, Domžale and Lendava) in the years 2009 and 2010. In the budgets of the Republic of Slovenia for the years 2009 and 2010, MDDSZ provided funds for the foster care in the amount of EUR 14,959,289, which were sufficient for the payment of maintenance allowances and for the payment for foster parents. In the year 2010, the average number of children included monthly in the pursuit of foster care was 1,153 while the average monthly foster care allowance amounted to EUR 506.

It was established that MDDSZ had its objectives set in the field of foster care, but these were not specified enough. Moreover, MDDSZ did not monitor all the indicators determined for assessing the effectiveness of the foster care, since it failed to draw up any detailed reports or conduct analyses to assess its effectiveness in the achievement of the set objectives. The main problem lies in the poor and insufficient planning, which is why the reporting cannot be focused on the achievements, there is no comparability with the planned activities and no comparisons of the achievements in different time periods. The reporting in the explanations of the annual financial statement of the state budget is too focused on the cost aspect, which is not insignificant but is not associated with the tasks performed. Such information to the public can thus not be sufficient. MDDSZ as a proposer of regulations, policy-maker,

initiator and coordinator for the introduction of different modifications and improvements should together with the Centres for Social Work promote and coordinate the introduction, development and implementation of new policies, programmes and measures in the field of foster care. In the past, MDDSZ failed to pay sufficient attention to the unification of practices in the pursuit of foster care and did thus not ensure equal treatment of all children in foster care and all foster parents. It started to prepare professional guidance in the field of foster care in the year 2011. The work of the Centres for Social Work is being supervised by the social inspection, which operates within the Labour Inspectorate of the Republic of Slovenia. It controls the adequacy of the applied methods of work and the quality of services and other duties which prevent or eliminate social hardship and problems of beneficiaries, verifies the implementation of regulations as well as assesses the quality of the exercise of public authority. MDDSZ failed to provide sufficient control over the work of the Centres for Social Work in the part relating to the calculation and payment of transfers for the pursuit of foster care. In the field concerned, the Court of Audit mainly found irregularities which are the consequence of inconsistent data on the benefits of individual beneficiaries and affect the use of budgetary resources for this purpose.

Deficiencies and irregularities identified in the operation of the Centres for Social Work are mainly related to the determination of foster care allowances - the Centre failed to consider survivor's pension and child support and did not adequately lower the amount of maintenance allowance; it calculated the foster care allowance after the termination of the foster care contract and contrary to the foster care contract and thus used an excessive amount of budgetary resources; it determined the foster care allowance with higher maintenance allowance but failed to disclose extraordinary expenses associated with the educational process; in determining the foster care allowance it did not consider the child support and failed to adequately lower the maintenance allowance; it determined the foster care allowance with higher maintenance allowance and higher payment of work and simultaneously, when the child was brought into the foster family, it granted exceptional financial assistance but failed to disclose extraordinary expenses for the child when increasing the maintenance allowance; it did not calculate the foster care allowance in accordance with the foster care contract and concluded a foster care contract for the child who was actually not brought into a foster family.

As regards the regularity of the pursuit of foster care in the years 2010 and 2011, the Maribor Centre for Social Work and the Domžale Centre for Social Work were expressed and adverse opinion. In several instances, the Maribor Centre for Social Work in determining the foster care allowance failed to consider survivor's pension and child support and did not adequately lower the amount of maintenance allowance; it calculated the foster care allowance after the termination of the foster care contract and contrary to the foster care contract and thus exceeded the planned value of budgetary resources for the amount of EUR 14,134. In several instances, the Domžale Centre for Social Work calculated for the foster parents the foster care allowance after the termination of the foster care contract; it determined the foster care allowance with higher maintenance allowance but failed to disclose extraordinary expenses associated with the educational process; in determining the foster care allowance it did not consider the child support and failed to adequately lower the maintenance allowance; it determined the foster care allowance with higher maintenance allowance and higher payment of work and simultaneously, when the child was brought into the foster family, it granted exceptional financial assistance but failed to disclose extraordinary expenses for the child when increasing the maintenance allowance; it did not calculate the foster care allowance in accordance with the foster care contract and concluded a foster care contract for the child who was actually not brought into a foster family. Owing to these irregularities, it exceeded the planned value of budgetary resources for the total amount of EUR 15,460. The Celje Centre for Social Work was expressed

a qualified opinion since it was established that in determining the foster care allowance it failed to consider survivor's pension or child support and did not lower the amount of maintenance allowance; it determined the foster care allowance with higher maintenance allowance due to extraordinary expenses associated with the educational process, irrespective of the fact that the child in foster care was receiving scholarship; it calculated the foster care allowance after the termination of the foster care contract and brought into the foster care an adult person. It thus exceeded the planned budgetary resources for the amount of EUR 7,229. The Lendava Centre for Social Work was expressed an unqualified opinion.

The Court of Audit demanded from the Maribor, Domžale and Celje Centres for Social Work to submit their response reports, which disclosed corrective measures for the elimination of the established irregularities. MDDSZ and the Centres for Social Work were also provided several recommendations for the improvement of the efficiency and effectiveness of MDDSZ in the pursuit of foster care respectively for the improvement of the regularity of operations of the Centres for Social Work in the field concerned.

In its *regularity audit of operations of Radio Television Slovenia* (hereinafter: RTV), in the part which relates to the field of payroll accounting and determining other costs associated with the work, costs of services, notably for the performance of work based on contracts under civil law, implementation of public procurement procedures in the purchase of material, services and fixed assets as well as marketing of advertising space in the years 2009 and 2010, the Court of Audit established material irregularities. RTV concluded employment relationships and appointed, transferred and assigned civil servants contrary to the Employment Relationship Act and Civil Servants Act. It determined and paid basic salaries, disproportions in basic salaries, grade-related allowances and performance bonuses from the sale of goods and services in the market and increased work load contrary to the Public Sector Salary System Act and relevant regulations. Salaries paid to the civil servants were thus too high, i.e. for the amount of EUR 1,741,509. Based on copyright and work contracts, it paid to contractors fees in the amount of EUR 11,781.010, which is contrary to the Employment Relationship Act. In particular instances, the monthly fee it determined in journalistic work contracts was too high, which is contrary to the Instructions on the preparation of journalistic work contracts. Contrary to the Statute of the public institution Radio Television Slovenia, it concluded a licence and co-production agreement without being given the consent by the RTV Programme Council. Based on such agreements, it paid in the year 2010 royalties in the amount of EUR 77,000 as well as costs in the amount of EUR 52,124, incurred for the production of the show which was not included in the programme production plan for the year 2010 and was never aired. By purchasing material, services and fixed assets in the amount of EUR 12,732,206, it acted contrary to public procurement regulations, and in the pricing of advertising services, it acted contrary to the Radiotelevizija Slovenija Act. Moreover, it concluded advertising agreements respectively contracts on the basis of ratings, whereby it determined prices on the basis of ratings, which is contrary to the Radiotelevizija Slovenija Act and the Conditions of sale for advertising in RTV Slovenia programmes, since it provided discounts which exceeded the maximum value. Advertisers were thus able to publish a considerably higher amount of ads, at least in the gross value of EUR 16,970,66 according to price list, and contrary to the Media Act they were allowed free advertising in Television Slovenia programmes and on RTV Slovenia teletext in the amount of EUR 636,802.

During the implementation of the audit, RTV failed to eliminate all the established irregularities and was therefore demanded to submit a response report, in which it had to demonstrate the elimination of irregularities in payroll accounting, provide a written analysis of the existing situation and the actual need for the work of full-time civil servants and contract associates and on this basis adopt concrete measures

to establish a legal state of affairs as well as demonstrate that the conditions of sale for advertising in its programmes and price lists for the marketing of advertising time and programmes were brought in line with the provisions of the Radiotelevizija Slovenija Act.

The Court of Audit performed also a ***regularity audit of operations of the Foundation for the Funding of Sports Organisations in the Republic of Slovenia*** (hereinafter: the Foundation), which, based on the Gaming Act, manages funds from the concession fees for games of chance, intended for exercising the public interest in the field of sports. The audit objective was to express an opinion on the regularity of operations of the Foundation in the year 2010. The Court of Audit established that the Foundation failed to provide an adequate basis for the work of the bodies of the Foundation, since it did not predefine the financial evaluation of programmes and did not set the rules and criteria concerning the distribution of funds between the programmes of sporting activities, research and development in sport, publishing and construction of sports facilities. The Foundation failed to distribute funds between the programmes of sporting activities - subsection extra-curricular physical education of children and youth, extra-curricular physical activity of students and recreational sport, as well as subsection other programmes and funds for the research, development and publishing in the field of sport - in accordance with the Rules on the conditions, criteria and procedures for the distribution of the Foundation's funds. Irrespective of the insufficient number of points achieved, three projects from the programme of the construction of sports facilities were allocated funds in the amount of EUR 738,800, based on the decisions of the Expert Committee respectively of the Board of Appeal; the contractor was paid the amount of EUR 4,400, contrary to the Contract; by way of settlement, the contractor was allocated the amount of EUR 9,900, contrary to the Ordinance on the establishment of the Foundation for the funding of Sports Organisations in the Republic of Slovenia; and there was the amount of EUR 201.950 allocated for the scholarship programme, contrary to the Rules on the conditions, criteria and procedures for the distribution of the Foundation's funds, the Agreement on the co-funding of scholarships for talented athletes in the Republic of Slovenia and without any contract concluded for the year 2010. In the decisions of the Council of the Foundation and the Board of Appeal concerning the scoring and the allocation of funds to individual applicants based on their applications for the year 2010, the Foundation did not indicate the criteria for deciding on the applications and did not specify the method of application of such criteria, which is contrary to the provisions of the General Administrative Procedure Act and of the Ownership Transformation of the Lottery of Slovenia Act. The Board of Appeal did not comply with those regulations and legal bases that were observed by the authority deciding in the first instance and did thus not distribute funds in the amount of EUR 552,736 in accordance with the adopted criteria and procedures for the scoring and the evaluation of applications.

During the implementation of the audit, the Foundation failed to eliminate all the established irregularities. Therefore, the Court of Audit demanded the submission of a response report in which the Foundation had to demonstrate that it had drawn up a plan of activities for the adoption of internal rules and regulations pertaining to the functioning of the Board of Appeal and for the preparation of detailed rules and criteria for the distribution of funds.

Audits of commercial public service providers, privatisation and environmental protection

Audit department B4 covers audits of commercial public service providers, companies owned by the State or local communities, privatisation as well as environmental protection.

In 2012, the department was carrying out 22 audits. By the end of 2012, it issued seven audit reports while 15 audits should be completed in 2013. In the seven issued audit reports, a regularity or performance audit opinion was expressed to 14 auditees. Namely, opinion on the regularity of operations to two auditees (in two audits) and performance audit opinion to 14 auditees (in seven audits). The department did not carry out any financial audit as a special audit objective, since most of the auditees covered by the department B4 are obliged to have annual financial audits performed.

Aside from the aforementioned 22 audits, there were post-audit procedures implemented. In 2012, the department issued six post-audit reports, i.e. two of them refer to audit reports issued in 2011 and four of them relate to audit reports issued in 2012.

List of audit reports issued by the department B4:

1. Operations of Slovenske železnice, d. o. o., Ljubljana (Slovenian Railways Company) - management of real estate;
2. Efficiency and effectiveness of operations in the sale of shares of the company Slovenska industrija jekla, d. d. (Slovenian Steel), Ljubljana;
3. Arrangement of relations between the Lipica Stud Farm Public Institute and Lipica Turizem, d. o. o.;
4. Forest management;
5. Operations of Pošta Slovenije, d. o. o., Maribor (Post of Slovenia) in transferring unaddressed publications;
6. Commercial public service of distributing natural gas and heat in the Municipality of Kranj;
7. Performance of a commercial public service of transmission and distribution system operator.

Post-audit reports issued in 2012 by the department B4 are the following:

1. Corrective measures in the provision and performance of a commercial public service of water regulation in the impact area of the Lower Sava River energy exploitation;
2. Corrective measures in the provision of funds for decommissioning of the Krško nuclear power plant and disposal of radioactive waste from the Krško nuclear power plant;
3. Corrective measures of Slovenske železnice, d. o. o., Ljubljana - management of real estate;
4. Corrective measures in forest management;
5. Corrective measures in the arrangement of relations between the Public Institution Lipica Stud Farm and the Company Lipica Turizem, d. o. o.;
6. Corrective measure of Pošta Slovenije, d. o. o., Maribor in transferring unaddressed publications.

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

International operations of audit department B4

In 2012, the Court of Audit of the Republic of Slovenia participated in the implementation of the international audit of the shipment of waste between the states, headed by the SAI of the Netherlands, with the cooperation of the SAIs of Bulgaria, Greece, Hungary, Ireland, Norway, Poland and Slovenia. The audit is scheduled to be completed with the issue of a joint report in 2013.

A representative of the department B4 also participated in INTOSAI and EUROSAI working groups developing audit methodology in the field of performing environmental audits. As a representative of the Court of Audit, she has also been a member of the Management Board of the Working Group on Environmental Auditing (WGEA).

Performance audits

Audit department B5 implements performance audits, information system audits and results-based budgeting audits. In the year 2012, the department was carrying out 19 audits. In seven audit reports, the Court of Audit expressed performance audit opinions to 11 auditees.

Audit reports issued by department B5 in 2012 are:

1. Regulation of the field of Municipalities;
2. Information system in the field of institutional care of the elderly;
3. Effectiveness of solving spatial problems in Slovenian prisons;
4. Are there the effects of the proposed regulations on the company being verified in Slovenia – RIA 2 (Regulatory Impact Analysis);
5. Measures for the preservation of the existing jobs and promotion of employment;
6. Effectiveness of the Ministry of Foreign Affairs in managing the subprogramme 130301 Political diplomacy (03011801 Implementation of foreign policy);
7. Receipt, processing and control of applications at the Health Insurance Institute of Slovenia.

The submission of a response report was demanded in three out of seven audit reports issued in 2012. In 2012, the department issued five post-audit reports, of which two refer to the audit reports issued in 2011. Ten implemented corrective measures out of 13 were assessed as adequate. Since three corrective measures of one auditee were assessed only as partially adequate, the Court of Audit issued a decision on violation of the requirement for operational efficiency.

Post-audit reports issued by department B5 in 2012 are:

1. Corrective measures of the Ministry of Health;
2. Corrective measures in the arrangement of the ISARR information system - a decision on violation of the requirement for operational efficiency issued;
3. Corrective measures in the regulation of the field of Municipalities;
4. Corrective measures of the Ministry of Labour, Family, Social Affairs;
5. Corrective measures of the Prison Administration of the Republic of Slovenia.

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

Most of the 19 audits carried out by audit department B5 in 2012 were highly diverse as regards their content, scope and audit approaches, since the scope of the department for performance audits is not limited to the nature of work of auditees. The audit department B5 also carries out information system audits and results-based budgeting audits, which at least methodologically are somewhat different from other audits implemented by the Court of Audit. All audits stand out owing to their materiality, influence of audit scope, public visibility, attention among expert public and changes made to individual audited systems. Highlighted in the continuation are some findings from the issued audit reports.

Regulation of the Field of Municipalities

The Court of Audit audited the regulation of the field of municipalities in the Republic of Slovenia to assess the effectiveness of municipalities in meeting the needs and interests of the citizens respectively to find an answer to the question of whether the existing system of local self-government regulation ensures that the municipalities are capable of meeting the needs and interests of their citizens. It was established that the system of the regulation of municipalities had been constantly adapted to the actual situation, i.e. the increasingly smaller municipalities, or notably because of the fact that there had been no strategy in place, which would have defined clear objectives in the field of municipalities. This can also be seen in the frequent amendments to the legislation regulating the field of municipalities. The Court of Audit assesses that without the adaptation of the system of funding and additional funding from the state budget for the joint performance of tasks, not all the municipalities would be able to perform the tasks directed towards meeting the needs and interests of their citizens.

Verification of the Effects of Regulations – RIA 2

After the first audit, which was implemented in the year 2007, the Court of Audit carried out the second audit from the field of the analysis of the effects of the proposed regulations. The situation has not changed significantly, although in the meantime there have been certain changes made to the legal and other bases. The Court of Audit is of the opinion that the preparation of the analysis of the effects of the proposed regulations is still too frequently treated by the proposers of laws as their administrative obligation rather than the aid or support in the preparation of regulations of higher quality, which will enable the actual achievement of the set objective. Moreover, the ex-post monitoring of the implementation of regulations should be a consistent practice of the persons responsible for a particular field covered by the regulation. This would facilitate a timely and more appropriate response to the changed circumstances.

Information System Audits

In the year 2012, the department was carrying out several independent audits of information systems relevant for the state and the society. Highlighted should be the audit of the receipt, processing and control of applications at the Health Insurance Institute of Slovenia. In the process of their implementation, there are other audits of major information systems (information systems of the Customs Administration of the Republic of Slovenia and the Tax Administration of the Republic of Slovenia, and the system for considering the rights to public funds) respectively projects (eZdravje). The information system auditors were also involved in the preparation of some other audits at several departments of the Court of Audit.

Auditing the use of European Union funds and operations of public funds and agencies

In 2012, the department for auditing the use of European Union funds and operations of public funds and agencies continued to follow a comprehensive approach to auditing the use in the Republic of Slovenia, which also includes international and European Union funds.

In 2012, department B6 issued two audit reports:

1. Consideration of irregularities and financial corrections within the Common Agricultural Policy;
2. European Cohesion Policy implementation system in the Republic of Slovenia.

The department also issued one post-audit report:

1. Corrective measures under the audit Promotion of employment of disabled persons.

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

Consideration of Irregularities and Financial Corrections within the Common Agricultural Policy

The Court of Audit of the Republic of Slovenia carried out a performance audit of operations of the then Ministry of Agriculture, Forestry and Food, now active as the Ministry of Agriculture and the Environment (hereinafter: the Ministry), and the Agency of the Republic of Slovenia for Agricultural Markets and Rural Development (hereinafter: the Agency) in the part which relates to the consideration of irregularities and financial corrections in the implementation of the Common Agricultural Policy in the Republic of Slovenia in the period from 1 May 2004 to 31 December 2010. With the accession of the Republic of Slovenia to the European Union, the independent implementation of the national agricultural policy was substituted by the Common Agricultural Policy of the European Union. The Ministry and the Agency have had a key role in the implementation of the Common Agricultural Policy in the Republic of Slovenia. The Agency has been acting as the paying agency implementing measures in the fields of agriculture, forestry, food and fisheries while the Ministry has been the competent authority for granting and withdrawing the accreditation of paying agencies as well as monitoring the compliance with the conditions for accreditation. The Member States have been required to prevent irregularities in the allocation of funds from the European Union budget to the Common Agricultural Policy as well as deal efficiently with any established irregularity committed by beneficiaries. The compliance of expenditure with the regulations of the European Union has also been verified by the European Commission with ex-post audits, which may determine a financial correction, i.e. the amount to be returned by the Member State to the European Union budget.

The Court of Audit examined whether the Ministry and the Agency had set up an adequate system of dealing with irregularities in the allocation of funds of the Common Agricultural Policy, an adequate system of dealing with financial corrections, which means that the competent national authorities cooperate appropriately with the European Commission in procedures that may result in financial corrections, and whether they had set up a transparent system of monitoring and reporting about the

extent of the disbursement of funds from the European Union budget, which includes also data on the extent of irregularities and financial corrections. The procedures of dealing with irregularities in the allocation of funds defined in detail the proceedings from the disclosure of irregularities to the recovery of unduly paid funds, yet they were not specified in a way so as to be directed towards examining the causes for the disclosed irregularities and, if appropriate, the elimination of such causes. The procedures of dealing with irregularities in the allocation of funds were mostly defined adequately and were actually being implemented, yet they were not specified in a way so as to be directed towards examining the causes for the disclosed irregularities and, if appropriate, the elimination of such causes. In the period covered by the audit, the Ministry did not have a transparent system of monitoring and reporting about the extent of the disbursement of funds from the European Union budget, which would include also data on the extent of irregularities and financial corrections. However, during the implementation of the audit the Ministry and the Agency carried out several measures, which according to the assessment of the Court of Audit contribute to the improvement of the procedure of dealing with irregularities and financial corrections in the implementation of the Common Agricultural Policy. The Court of Audit of the Republic of Slovenia recommended to the Ministry and the Agency to, inter alia:

- continue with the activities to eliminate the differences between the actual state of eligible areas and the data in the records of the eligible areas;
- continue with the improvement of the system of monitoring and eliminating the differences between the amounts recorded in the national budget and the records of the Agency;
- continue with the improvement of the accessibility of the public to the data on the disbursement of funds from the European Union budget, irregularities in the allocation of funds and financial corrections;
- focus in their audit procedures and in the coordination with the European Commission as regards the extent of irregularities on the identification and disclosure of the actual status and extent of undue payments.

European Cohesion Policy Implementation System in the Republic of Slovenia

The Court of Audit of the Republic of Slovenia audited the European Cohesion Policy implementation system in the Republic of Slovenia for the programming period 2007-2013. The audit was performed at 12 ministries and two offices of the Government of the Republic of Slovenia, which were involved in the planning, preparation, management, implementation and control of operational programmes. The Republic of Slovenia has resources from European Structural Funds and Cohesion Fund in the amount of EUR 4.1 billion available for the programming period 2007-2013 for the audited operational programmes. Until the end of 2011, i.e. after five years of implementation, the Republic of Slovenia drew on 40 percent of these resources, which is slightly above the European average.

Based on the performed audit, the Court of Audit is of the opinion that the Cohesion Policy implementation system in the Republic of Slovenia should be more efficient.

A Member States must establish an adequate management and control system and carry out certain other procedures in order to be able to draw on European funds. These requirements are defined in European regulations, which do not demand changes in the institutional organisation of an individual Member State but only provide principles and conditions to be met by the Member State to be an eligible recipient of the European Cohesion Policy funds. Frequent changes of personnel at decision-making positions and repeated changes of the structure of the implementation system and procedures are among the main

difficulties in the implementation of the Cohesion Policy in the Republic of Slovenia. In addition to European regulations, numerous different laws, rules, instructions and guidelines were issued in the Republic of Slovenia. Some regulate only the implementation of the national budget and some have been prepared specifically for the European funds. They are not always adequately harmonised and prescribe different procedures or use different terms for the same kind of actions. The set project objectives have in the case of the audited projects been achieved and the funds were generally allocated for the designated purposes. Nevertheless, when preparing calls for proposals more attention should be given to the quality selection, eligibility and award criteria in order to ensure the selection of the best projects. Moreover, the intermediate bodies after completing their tasks mostly fail to conduct and document an assessment of their effectiveness. Data that could facilitate better performance in the future are thus not always available. The Court of Audit assessed the information system for monitoring, reporting and implementation of operational programmes (ISARR) as one of the key problems in the implementation of the European Cohesion Policy. The data which the managing authority retrieved from the information system were not complete and sometimes also incorrect. Such data cannot represent an adequate basis for sound management and monitoring of the European Cohesion Policy implementation.

The amendments and supplements of the Government of the Republic of Slovenia Act, which came into force in February 2012, introduced significant changes in the composition of the Government of the Republic of Slovenia and also in the European Cohesion Policy implementation system in the Republic of Slovenia. The Court of Audit did not examine effects of the new implementation structure and did thus not assess whether the risks established in the previous system were eliminated or whether new risks emerged as the result of the abovementioned changes.

SOURCES USED FOR ACHIEVING THE OBJECTIVES

Financial resources

In the adopted budget of the Republic of Slovenia for 2012, there were funds allocated for the operations of the Court of Audit in the amount of EUR 6,276,159. These funds also included the planned earmarked funds in the amount of EUR 1,100.

Due to significant deterioration of fiscal situation, there was a correction of the adopted financial plan confirmed in the first half of 2012 (Act Amending the Act on the implementation of the budgets of the Republic of Slovenia for 2011 and 2012 and the Revised budget of the Republic of Slovenia for 2012). For the year 2012, the operations of the Court of Audit were thus allocated the amount of EUR 5,574,807. The Court of Audit was allocated additional funds in the amount of EUR 71,000. The valid financial plan for 2012 thus amounted to EUR 5,649,485, of which the amount of EUR 380 was represented by earmarked funds.

The Court of Audit used the amount of EUR 5,598,540. The implementation of the financial plan compared to the valid financial plan represented 99 percent.

On the basis of the comparison of expenditure with the valid financial plan it can be concluded that in 2012 there were no major discrepancies between the planned and used funds. Compared to the previous year, the Court of Audit used the amount of EUR 367,745 less, which is a decrease by six percent.

Table 4: Realisation of expenditure in 2012 compared to the adopted financial plan - revised budget (column 2) and the valid financial plan (column 3)

in Euro

Title	Financial plan	Valid financial plan	Expenditure 2012	Use index	Use index
1	2	3	4	5=(4:3)*100	6=(4:2)*100
Salaries	4,334,281	4,422,331	4,403,359	99	102
Salaries and bonuses	4,068,462	4,158,262	4,147,586	99	102
Pay for annual leave	44,422	19,122	19,078	99	43
Recovery of costs and compensations	190,232	209,232	201,215	96	106
Work performance for the increased work load	1,000	750	741	99	74
Over time bonus	204	404	343	85	168
Other payments to employees	29,961	34,561	34,396	99	115
Contributions by the employer	709,344	727,294	722,845	99	102
Contribution to the Pension and Disability Fund	365,508	379,258	376,788	99	103
Health insurance contribution	286,386	290,886	289,191	99	101
Employment contribution	2,407	2,487	2447	98	102
Contribution for parental protection	4,012	4,132	4,079	99	102
Collective supplementary pension insurance premiums	51,031	50,531	50,340	99	99
Material costs	478,580	447,960	423,235	95	88
Office and general material and services	128,850	119,850	115,794	97	90
Specific material and services	25,150	20,150	19,036	94	76
Energy, water, communal services	71,500	68,500	66,688	97	93
Transport costs and services	35,000	41,380	40,401	98	115
Expenditure for business trips	52,500	43,500	36,424	84	69
Routine maintenance	32,700	27,700	25,720	93	79
Rents and leases	88,600	88,600	85,730	97	97
Other operational expenditure	44,280	40,280	33,442	83	76
Investments and major maintenance	52,602	51,900	49,101	95	93
Purchase of means of transport	702				
Purchase of equipment	1,500	1,500	185	12	12
Investments and major maintenance	400	400			
Purchase of non-material assets	50,000	50,000	48,916	98	98
TOTAL	5,574,807	5,649,485	5,598,540	99	101

Table 5: Comparison of realisation of expenditure in 2012 with expenditure in 2011

Title	Expenditure 2011 in Euro	Expenditure 2012 in Euro	Use index
1	2	3	4=(3:2)*100
Salaries	4,639,552	4,403,359	95
Salaries and bonuses	4,318,791	4,147,586	96
Pay for annual leave	92,843	19,078	21
Recovery of costs and compensations	213,744	201,215	94
Work performance for the increased work load	3,323	741	22
Over time bonus	217	343	158
Other payments to employees	10,634	34,396	323
Contributions by the employer	749,546	722,845	96
Contribution to the Pension and Disability Fund	389,948	376,788	97
Health insurance contribution	301,946	289,191	96
Employment contribution	2,555	2,447	96
Contribution for parental protection	4,259	4,079	96
Collective supplementary pension insurance premiums	50,838	50,340	99
Material costs	498,423	423,235	85
Office and general material and services	131,244	115,794	88
Specific material and services	26,812	19,036	71
Energy, water, communal services	68,174	66,688	98
Transport costs and services	40,586	40,401	99
Expenditure for business trips	63,945	36,424	57
Routine maintenance	31,956	25,720	80
Rents and leases	87,512	85,730	98
Other operational expenditure	48,194	33,442	69
Investments and major maintenance	78,764	49,101	62
Purchase of equipment	40,721	185	1
Major maintenance and renovations	848		
Purchase of non-material assets	37,195	48,916	132
TOTAL	5,966,285	5,598,540*	94

Note:

- * Accounting data in Euro are rounded so that the total values are regular and in line with forms for the 2012 annual financial statement and with the report in the SAPPRA programme at the level of the realisation by budget users. Report 5.1 on the realisation of expenditure of the Court of Audit in the period from 1 January to 31 December 2012 is consistent with Report 5.1 of the Ministry of Finance of 9 January 2013.

Balance sheet

Fixed assets

The recording of intangible fixed assets, real estate, equipment and other tangible fixed assets is in accordance with the Rules amending the Rules on the method and rates of depreciation of intangible fixed assets and tangible fixed assets and the Accounting Act.

The year 2012 saw the acquisition of equipment in the amount of EUR 114,774, of which the amount of EUR 130 was represented by small inventory.

There was a contract for the purchase and maintenance of the Microsoft software (MS EA 2011–2014) concluded for the period of three years, in the amount of EUR 98,592. The contract includes the upgrade of the Windows operating system as well as the Microsoft Office and other software.

Eliminations due to technical-technological obsolescence and uselessness after the completion of the inventory of assets and liabilities

Based on the report by the Commission for the inventory of assets and liabilities as at 31 December 2011 and further analysis made on the eligibility of elimination, there were decisions issued on the elimination of damaged, inappropriate for further use and technically-technologically obsolete computer hardware, telecommunications equipment and other equipment in the total amount of EUR 85,743, of which the amount of EUR 729 was represented by small inventory.

It was established that some computer hardware was still suitable for certain users. Therefore, based on the Decision of the Government of the Republic of Slovenia No. 47803-35/2012/3 of 3 April 2012, 15 notebooks were handed over to the Ministry of the Interior.

Eliminations due to technical-technological obsolescence and uselessness during the year

One vehicle purchased in 1998 in the value of EUR 14,406 was eliminated due to old age. The purchase price received for the sold vehicle amounted to EUR 380 and was used for the maintenance of other vehicles.

Eliminated due to its obsolescence and inappropriateness for further use was also office equipment in the value of EUR 115 and computer software in the value of EUR 2,785.

The total value of tangible fixed assets eliminated in 2012 amounted to EUR 103,048. .

The value of intangible and tangible fixed assets as at 31 December 2012 amounted to EUR 3,345,240, which is EUR 145.246 less compared to the previous year.

Current assets

As at 31 December 2012, there were short-term receivables and deferred expenses and accrued revenues in the amount of EUR 517,555 disclosed in the balance sheet of the Court of Audit.

The receivables refer to:

- receivables for the accounted and not paid salaries and taxes for December 2012 in the amount of EUR 456,244 (of which the amount of EUR 392,650 for salaries and other benefits, the amount of EUR 63,060 for taxes and the amount of EUR 534 for contributions for the employment of the disabled);
- provided services and supplied material in the amount of EUR 37,572;
- accounted salary compensations in the amount of EUR 23,400;
- employee receivables in the amount of EUR 319;
- non-reimbursement of fieldwork costs in December in the amount of EUR 20.

All listed receivables disclosed in the balance sheet as at 31 December 2012 are payable in 2013.

Short-term financial liabilities

As at 31 December 2012, there were short-term financial liabilities and accrued expenses and deferred revenues in the amount of EUR 550,419 disclosed in the balance sheet of the Court of Audit.

The financial liabilities refer to:

- short-term financial liabilities to employees in the amount of EUR 392,670, arising from the calculation of salaries for December 2012 and recovery of business travel costs in 2012;
- short-term liabilities to suppliers in the amount of EUR 37,506 for the material supplied and services provided in November and December 2012;
- other short-term liabilities from operations in the amount of EUR 63,594 for the calculated tax on salaries for December 2012;
- short-term liabilities to users of the unified chart of accounts in the amount of EUR 66 for the performed services partially for November and for December 2012;
- liabilities to the provider of funds in the amount of EUR 32,864, which include a part of long-term liabilities from financial lease, payable in 2013 (second instalment);
- accounted salary compensations with the December 2012 salary in the amount of EUR 23,400 and accrued expenses in the amount of EUR 319.

All listed liabilities disclosed in the balance sheet as at 31 December 2012 are payable in 2013.

Own funds and long-term liabilities

As at 31 December 2012, under own funds and long-term liabilities in its books of account, the Court of Audit discloses the general fund and other long-term liabilities in the amount of EUR 3,312,376.

Disclosed in the framework of the general fund is the fund for intangible and tangible fixed assets in the amount of EUR 3,345,240, reduced by the fund for other liabilities - financial lease in the amount of EUR 65,728.

Other long-term liabilities from operations include the payment of the third and the last instalment for the software in the amount of EUR 32,864. In accordance with the relevant regulations, the liability payable in 2013 is included among short-term liabilities.

Employment

There were 125 civil servants and officials employed at the Court of Audit on 31 December 2012.

One civil servant was recruited for an indefinite period of time while eleven employment contracts were terminated.

In 2012, the Court of Audit thus recorded a turnover of 8.8 percent, which is substantially higher compared to 2011 (0.7 percent).

Figure 8: Turnover of employees in the period 2002-2012

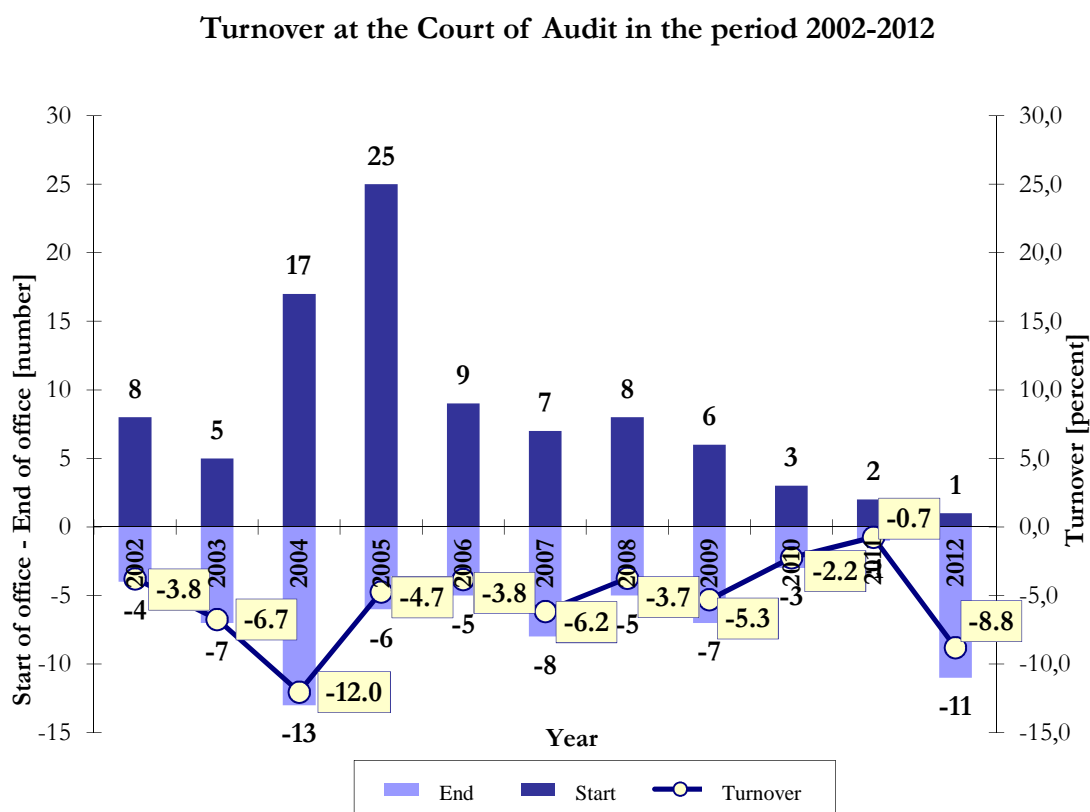


Table 6: Number of employees by posts

Work sector	No. of employees 31 December 2011	No. of employees 31 December 2012
Management:		
• members	3	3
• supreme state auditors	6	5
• secretary general of the Court of Audit	1	1
Total management	10	9
Auditing:		
• advisers	13	11
• deputy supreme state auditors	7	6
• principal auditors	37	35
• senior auditors	26	26
• auditors	10	10
• trainees	1	0
Total auditing	94	88
Support services:		
• head of the cabinet	1	1
• secretaries	11	10
• civil servants in support services	19	17
Total support services	31	28
Total	135	125

Table 7: Staff educational structure

Level of education or professional title	No. of employees 31 December 2011	No. of employees 31 December 2012
PhD	3	3
Master's degree, specialisation	32	30
University or high education	89	82
Post-secondary education	3	3
Secondary education	8	7
Total	135	125



Revizijsko poročilo

Poslovanje Občine Radenci

Revizijsko poročilo

Računovodski izkazi in pravilnost poslovanja
Arboretuma Volčji Potok

Revizijsko poročilo

Pravilnost poslovanja Mestne občine Velenje

Revizijsko poročilo

Delovanje sveta zavoda Centra za usposabljanje,
delo in varstvo Dolfke Boštjančič, Draga

Revizijsko poročilo

Pravilnost in smotrnost poslovanja
Javne agencije za tehnološki razvoj
Republike Slovenije

Revizijsko poročilo

Izvajanje Zakona o vodah

Revizijsko poročilo

Ukinitev postopka likvidacije D.S.U., družbe
za svetovanje in upravljanje, d.o.o. Ljubljana

Revizijsko poročilo

Podeljevanje koncesij v zdravstvu -
Ministrstvo za zdravje

Revizijsko poročilo

Nacionalni stanovanjski program

Revizijsko poročilo

Pravilnost poslovanja Mestne občine
Slovenj Gradec

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