



REPUBLIC OF SLOVENIA
COURT OF AUDIT

ANNUAL REPORT 2019



MISSION

The Court of Audit informs the public about important audit findings concerning the operations 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.



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ANNUAL REPORT 2019

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Cover photo:
Order of Merit awarded to the Court of Audit at its 25th anniversary

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Team photo from the ceremony of awarding the Order of Merit

Photo: Nebojša Tejić/STA

1 FOREWORD

1.1 Opening address by the President

It has been 25 years since the Court of Audit was established when the intention to set up an independent, objective and efficient supreme audit institution reviewing public funds use was clearly expressed, even though perhaps not equally welcome by all. Also for this reason the endeavours to gain the confidence, recognise the work of the institution, strengthen its reputation and achieve respect were part of long and demanding process.

I believe that in a quarter of the century of implementing audits the Court of Audit became firmly placed in the Slovenian and international area. As the Court of Audit successfully met the challenges of altering social and economic situation, addressing demanding public finance aspects, timely focusing on strategic issues, preserving its important advisory function and following the international standards, it after 25 years arrived at a point where it constantly faces the aspirations of the public for stronger presence of the Court of Audit. The public desire for the Court of Audit to provide its comments on topical issues as well as their clear preference for the Court's larger scope of powers, as reflected in more than 100 initiatives submitted by various public to implement audits per year, it is telling enough that the Court of Audit was able to confirm its position through these years. By receiving the Order of Merit by the President of the Republic of Slovenia last year we proudly stand behind our successful work and at the same time are aware of the responsibility of courageous addressing the future challenges.

The award for our past endeavours primarily reflects the work of auditors who by firm perseverance resist the political and auditees' pressures while at the same time by using solid arguments strengthen



the institution's integrity. We are proud of their constant commitment and expertise, since every day they contribute to the accountability in the management of public services by their determination and recognising the importance of their work.

Also for the future of the Court of Audit is of vital importance to preserve the independent position of the state auditor, raise concern for its expertise, nurture deeply embedded values of fairness and objectivity and above all to develop appropriate legal bases of the operations of the institution. To that end, last year we pointed out the need to amend Court of Audit Act. Proposal of the act that is at the moment being discussed at the National Assembly gives more opportunities for quicker responses, better access to needed data and information, work to be performed more economically and efficiently and moreover extends the list of entities that can be audited by the Court of Audit. This also allows the findings of the Court of Audit to be considered and measures to be implemented also after expiry of the 90-day statutory deadline to submit the response report.

Almost for two decades, the Court of Audit has been implementing its function that remained unchanged against milestones of statehood forming - currency exchange, economic restructuring,

establishing an independent public finance system and public finance institutions, setting up local self-government system, intensive development breakthrough, withstanding the changes in the demographic trends, temporary economic and financial crisis, digitalisation and flow of information, growing mobility, greater awareness of human health and the environment protection and different changes in many other areas. After all the changes in the public finance field, greater interplay between public and private sector and after increased risks and difficulties affecting sound managing of public finance use and simultaneously arising demands and expectations of the public to perform efficient, permanent and independent control, we can assess that we are a society mature enough to accept proposed changes of ever more demanding work of the Court of Audit.

Last year, the Court of Audit, comparable to the previous years, issued 62 audit reports and 23 post-audit reports. Whereby it reviewed 112 auditees, 10 more than in 2018. In terms of the total balance sheet of all auditees expenditure this presents EUR 18.4 billion, which is just about the last years' expenditure benchmark. Some audit reports presented two audit opinions relating to two audit objectives, while other reports presented opinions to several auditees, thus 85 audit opinions were expressed in total. The Court of Audit presented 28 descriptive opinions in the performance audit reports, expressed 56 opinions on regularity of operations and on financial statements, while in one case it rejected to express an opinion. Taking these into account, there were 18 unqualified opinions, 25 qualified opinions and 13 adverse opinions, thus bringing to the conclusion that the most common form of an opinion was qualified opinion, since it was expressed in 44 percent of all issued opinions on regularity of operations and on financial statements.

In 45 audit reports the demand to submit a response report was not needed. In 17 cases the Court of Audit demanded a response report where the auditees must present implemented corrective measures. Therefore, last year 511 corrective measures were implemented, which is less than last (exceptional) year (i.e. 689), while still within the average of the last 5 years. Nevertheless, majority of the measures (320) were undertaken already during the audit implementation, which is something that we as an institution can regard with considerable satisfaction, showing great responsiveness of auditees and that demands of the Court of Audit are being seriously considered by auditees.

The importance of the work of the Court of Audit is reconfirmed also because it received 395 initiatives to implement audits last year, which is comparable to previous years (383 initiatives in the year 2018 and 407 initiatives in the year 2017). For several consecutive years, individuals and groups of individuals have been standing out according to the number of initiatives (147). We are pleased that last year the number of initiatives proposed by the National Assembly increased, in total 14 initiatives, namely 9 more than a year before. Compared to the past few years we received less initiatives from local communities, while the number of initiatives from ministries and their subordinate bodies (55) and other institutions (77) is about the same as in the past years. Last year, we recorded a slight increase of anonymous initiatives, thus not much above the average of the past few years.

In the last annual report we expressed a concern that the National Assembly considered low number of audit reports (only 7), this trend improved significantly last year, since we recorded 15 discussions of audit reports in total, 12 were considered by the Commission for Public Finance Control, 2 were considered by the Committee on Labour, Family, Social Affairs and Disability and 1 was

considered at the extraordinary plenary session. In view of the above, it is encouraging, since we believe that the auditees during the preparations for their presentation in the National Assembly (or immediately afterwards) find additional motivation to implement activities that improve regularity and/or performance of their operations.

The advisory role of the Court of Audit is despite the fact that it requires a lot of commitment, often given less attention than it should be, mostly due to those audit reports which received greater response from different audiences, however, 123 written responses providing guidelines to the public funds users in the past year clearly indicate the need of the public sector to be given guidelines for its work, with which the Court of Audit undoubtedly preventively affects the management of public funds.

Last year, we published 23 post-audit reports, where we assessed 121 corrective measures. There were 99 implemented measures assessed as adequate, 17 as partially adequate and 5 as inadequate. We issued 13 decisions on violation of the requirement for operational efficiency, being less than in the past two years. Although, the comparison with the last two years shows greater number adequately implemented measures and smaller number of partially adequate and inadequate measures, we endeavour that our findings could provide for the fulfilment of corrective measures also after expiry of the 90-day statutory deadline defined for the submission of a response report, which at the moment within the existing legislative powers is unfortunately not possible. Whereby, we again came up against the need to amend the basic Court of Audit Act.

Beside the need to amend the auditing act, last year we pointed out some legal and systemic ambiguities we came across at our work. Among others, we submitted proposals to review appropriateness

of Public Finance Act related to letting state assets, where we assessed revenues of the state budget to be for EUR 6 million higher per year if provisions of the act were strictly followed. We also proposed drafting legal bases pertaining to several fields related to virtual currencies. Additionally, we suggested amendments to Courts Act and State Prosecution Service Act respectively other act on arranging rights and obligations of public servants implementing required procedural tasks within the justice.

We detected risks of incompleteness of indicative lists of contracting authorities in accordance with the provisions of Public Procurement Act. Furthermore, we recognised a vacuum concerning systemic scheme of managing capital investments at the local level and stressed there is no reasonable argument to distinguish between companies in which the State has an indirectly dominant proportion of the voting rights and companies in which the local community has that proportion. Therefore, it would be appropriate to define auditing mandate of the Court of Audit with the result to include the authority to audit business operation of legal persons in which the State, local communities or other bodies governed by public law, either separately or in combination, directly or indirectly exercise dominant influence due to ownership, financial participation or rules that govern their operations.

We also urged the need to prepare amendments in the field of obligation to audit annual accounts of all companies and in the field of water status monitoring ensuring the long-term drinking water resources conservation as well as evaluation of several national decrees related to successful absorption of EU funds in the field of rural development. Highlighted were weaknesses of the legal bases, i.e. Nature Conservation Act, regulation on the prevention and management of the

introduction and spread of invasive alien species, Freshwater Fisheries Act and Decree determining game animals and hunting seasons. We recommended development of the national strategy on intellectual property rights and to review legal bases defining relations between courts and Supreme Court in providing information support to the operations of courts. On the basis of large-scale audit practice and experience in advising in relation to the implementation of Election and Referendum Campaign Act and Political Parties Act we proposed amendments of them too.

After the follow-up audit a decade later, we received great publicity in the media by presenting our findings on critical lack of legal framework related to long-term care systems for older people and thus placed the topic in the highlight of addressing key problems in Slovenia. We clearly stood up for implementing necessary analysis of social security system weaknesses, considering population ageing trend, and precise assessment of necessary sources for financing the new system. We drew attention to the systemic weaknesses of the legislation related to social services, namely Social Assistance Act and its subordinate decrees.

Also in the future we would like to remain committed to those key development needs and to expose them to the decision-makers. In particular we shall pay attention to those areas of public funds use where all demanded corrective measures were not or shall not be (completely) adequate and where auditees developed remedial planes that could be met in mid-term period.

We thus refer to monitoring the effects of requests and recommendations after the elapse of a certain period, being one of the most desired effects of the work of the Court of Audit and also being followed by the public interest. Media response to our work is the way to bring the issues closer to the

widest public and at the same time to strengthen awareness thereof and assists the relevant stakeholders to step together.

Modern, fast, simplified and visual communication with the public, applied by the Court of Audit several years ago to adjust to the digitalisation and other demands of the modern society, last year recorded almost 3,735 publications. Audit reports in 16 cases apart from the summary report also include an infographic of key findings and therefore make our reports, which are complex and overflowed with data, more public-friendly. They are being regularly published also on social media. We recorded 386 subscribed to news on audits and 101 subscribed to news on other events while there were 42 news published on the renewed website. Furthermore, we answered to 118 written questions posed by journalists and organised 10 public presentations for the media, including summaries, short video presentations, infographics and press releases that took place when publishing some audit reports that were of particular interest for the public.

It was noted with satisfaction that the interest of the public regarding the work of the Court of Audit is constantly increasing also abroad. The Court of Audit is one of the well recognised and trustworthy Supreme Audit Institutions in the international community and thus last year actively cooperated in 30 international events, 20 of them were held abroad. Namely, there were 10 meetings of foreign delegations in Slovenia, quite an increase compared to previous years. The international events were actively participated by 29 representatives of the Court of Audit, what had a positive impact on direct transfer of best practices, drawing comparisons, networking and broadening knowledge. In this respect, in the last year the increased trend of presentations at the international events continued, since the Court of Audit made

24 appearances with its own presentations. The Court of Audit also published 4 articles in the INTOSAI and EUROSAI international publications. An extremely active role of our institution that even bigger institutions would be proud of triggered 9 successful bilateral meetings having a significant contribution to strengthening active mutual relations in the field of auditing.

In this respect, the Court of Audit for the second year in the row successfully implemented the secondment of the auditors, namely with the SAIs of Finland and Malta. We cooperated in the INTOSAI Congress in Moscow that is the largest meeting of all supreme audit institutions from all over the world and is organised every three years. The event was an opportunity to sign the agreement with the Accounts Chamber of the Russian Federation on the implementation of the joint audit. Not the least, the Court of Audit chaired the meeting of the Visegrad Group V4, Austria and Slovenia covering the content as well as the overall organisation of the event. As one of 7 states we participated in issuing joint international audit report.

The employees of the Court of Audit, apart from obtaining valuable international experience, participate and attend other trainings which are mainly based on the experience obtained during audit implementation. For the domestic and international public we organised 33 trainings, while employees attended 10 trainings organised by the Court of Audit, whereby all 133 employees participated. Within the financial possibilities, 70 employees attended conferences and seminars organised by other educational institutions.

Also in future we shall find the opportunities for the auditors to use the possibilities of professional upgrading, thus they remain highly qualified and highly motivated. In this context, there is an open dilemma of unbalanced payments of public officials related to their responsibilities, thus it is difficult to accept the fact that at the moment some public servants can exceed the evaluation of work of their superiors who, nevertheless, carry responsibility of timely responding to key public finance challenges and consider topics that definitely follow principles of sustainable development and the needs of the society. Those are our commitments also for the future.

In the year when the Court of Audit marked the 25th anniversary of its operation, we are more than proud to review the development of the Court of Audit from the beginning up to now - even though, we are aware of the burden of great responsibility currently shouldered by the institution. We shall strive to continue implementing our audit authority at the highest level and to increase public awareness about the use of public funds. At that point it may be necessary to disclose many unpleasant situations and at the same time assure that the findings of the Court of Audit are not abused for political or any other interests. Bearing this great responsibility and in order to continuously guarantee the highest level of quality of audit reports, the key task and the wish of the supreme audit institution remain that our findings reach broadest public awareness and bring about visible and positive effects.

Tomaz Vesel,

President of the Court of Audit



1.2 About the Court of Audit

1.2.1 Powers

Article 150 of the Constitution of the Republic of Slovenia provides that the Court of Audit is the highest body for supervising state accounts, the state budget and all public spending. Under the Constitution, the Court of Audit is ensured the highest level of formal independence, in accordance with the provisions of the Lima and Mexico declarations of the International Organisation of Supreme Audit Institutions (INTOSAI) and in line with the Resolution A/66/209 of the General Assembly of the United Nations. In compliance with its constitutional mission, the Court of Audit provides the Slovenian society with relevant, expert, timely and complete information on the operations of the users of public funds and endeavours to improve the use of public funds by providing recommendations and imposing measures. The Court of Audit is independent, objective and efficient in the performance of its duties.

The powers and duties 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.

1.2.2 Objectives

The mission of the Court of Audit is to inform the public and the National Assembly about important findings from the audits of operations of the users of public funds in a timely and objective manner and, based on its experience and knowledge of good practices, to provide advice to the users of public funds on how to improve their operations.

By disclosing irregularities and inefficiencies, it points to the responsibility of state bodies and holders of public office and thus serves for the benefit of all the citizens of the Republic of Slovenia and the European Union.

Within the scope of its audit powers, the Court of Audit helps the users of public funds by identifying and disclosing errors, irregularities and inefficiencies in their operations as well as by issuing demands and providing recommendations for their remedy.

Within the scope of its advisory powers, the Court of Audit helps the users of public funds by expressing opinions and providing answers to the questions on public finance, and the legislative and executive branches of government by proposing amendments to the relevant regulations.

Operations of non-governmental organisations and adequately developed non-governmental sector represent one of preconditions for the implementation of principles of pluralism and democracy. This is why it is necessary to ensure appropriate mechanisms for promoting development of non-governmental organisations and their cooperation in establishing and implementing public policies. Non-governmental organisations also shape Economic and fiscal policy.

Economic and fiscal policy consists of four main programmes which are broken down into subprogrammes, as presented below:

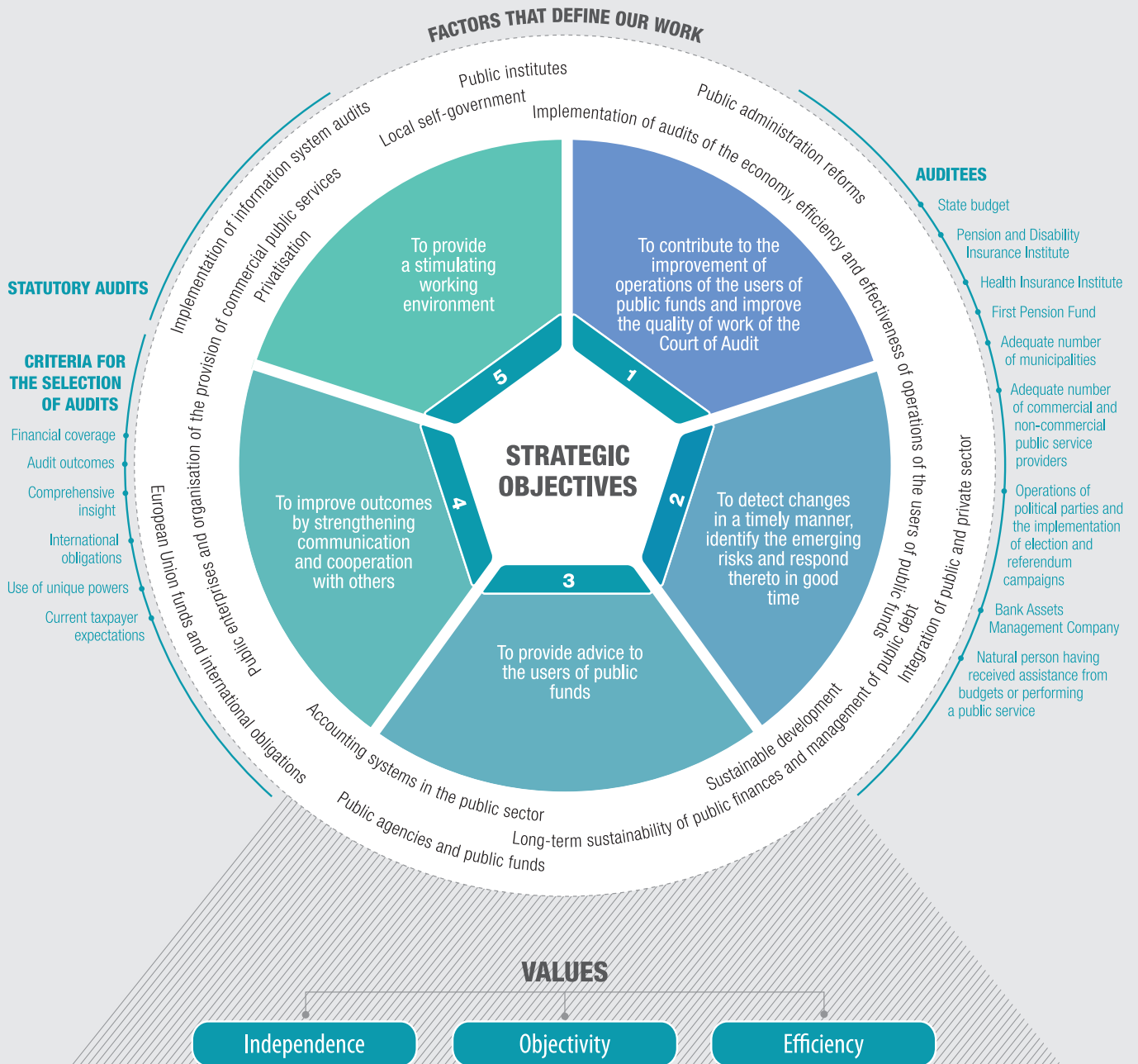
PROGRAMME	SUBPROGRAMME
Regulating fiscal policy	Implementing and regulating fiscal policy Payment services for the budget userse
Bases for economic and development policy and preparation of macroeconomic analyses and forecasts	Statistical survey Preparation of analyses and forecasts
Fiscal surveillance	Operations of the Court of Audit (020301) Legal protection and control over public procurement procedures Public law records and audit control Control over money laundering prevention Internal control, examining budgetary spending and audit Operations of the Fiscal Council
Financial administration	Financial administration

Operations of the Court of Audit (020301) became an independent subprogramme in the beginning of 2013 and represents one of six subprogrammes of the Fiscal surveillance programme.



Strategy 20¹⁴/₂₀

Watching over public money.



1.2.3 Strategy of the Court of Audit

At the end of 2013, the Court of Audit adopted the Strategy 2014-2020, which foresaw the following strategic objectives:

- objective 1:** to contribute to the improvement of operations of the users of public funds and improve the quality of work of the Court of Audit
- objective 2:** to detect changes in a timely manner, identify the emerging risks and respond thereto in good time
- objective 3:** to provide advice to the users of public funds
- objective 4:** to improve outcomes by strengthening communication and cooperation with others
- objective 5:** to provide a stimulating working environment

These strategic objectives were considered in the annual programme of work for the exercise of auditing powers for 2019.

1.2.4 Sustainable development

Sustainable development is not and cannot be perceived just as a simple guideline for further steps but it must be rather seen as the only appropriate way of addressing global and national issues. The Court of Audit is fully aware of its responsibility to meet those challenges in the most suitable way. Not only by undertaking auditing powers concerning past operations but also by demanding, recommending, advising and taking action.

Use of public funds in future shall strongly depend on recognition and consideration of sustainable development principles. Development policies must be guided by objectives of sustainable development, the 2030 Agenda of the United Nations and recently adopted Slovenia's Development Strategy 2030, therefore the Court of Audit made a clear commitment thereto. The Court of Audit monitors implementation gaps related to sustainable objectives and considers them as one of key criteria for deciding where its auditing powers should be concentrated, furthermore it tries to point out areas where problems are expected.

Also in future, follow-up audits related to sustainable issues already covered before will remain priorities alongside those areas which were not (fully) audited previously. The main focus is on meeting objectives of sustainable development and improving their implementation at national level. Apart from carrying out its auditing powers the Court of Audit directs its efforts towards sustainability within its internal organisation – namely, greening the institution is one of its key organisational and technical objectives.

Sustainable orientation of the Court of Audit is recognised and respected in relevant international community. Thus, its endeavours were warmly welcomed when urban beehives were placed on the roof top of the Court of Audit. Going beyond the purely symbolic meaning of sustainable objectives the bees shall provide honey for protocol gifts. Not only this raises awareness of sustainable development but also calls for preventive activities and helps reduce the use of public funds in future. Those are the objectives that shall be followed by the Court of Audit also in future.

KEY RESULTS



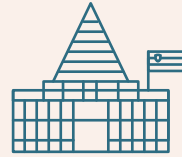
62
audit reports



395
received initiatives
for auditing



23
post audit reports



17
reports discussed by
the National Assembly
and the National Council



112
auditees



123
written responses to the
questions posed by the
users of public funds



511
measures implemented
during the audit or in the
post-audit procedure

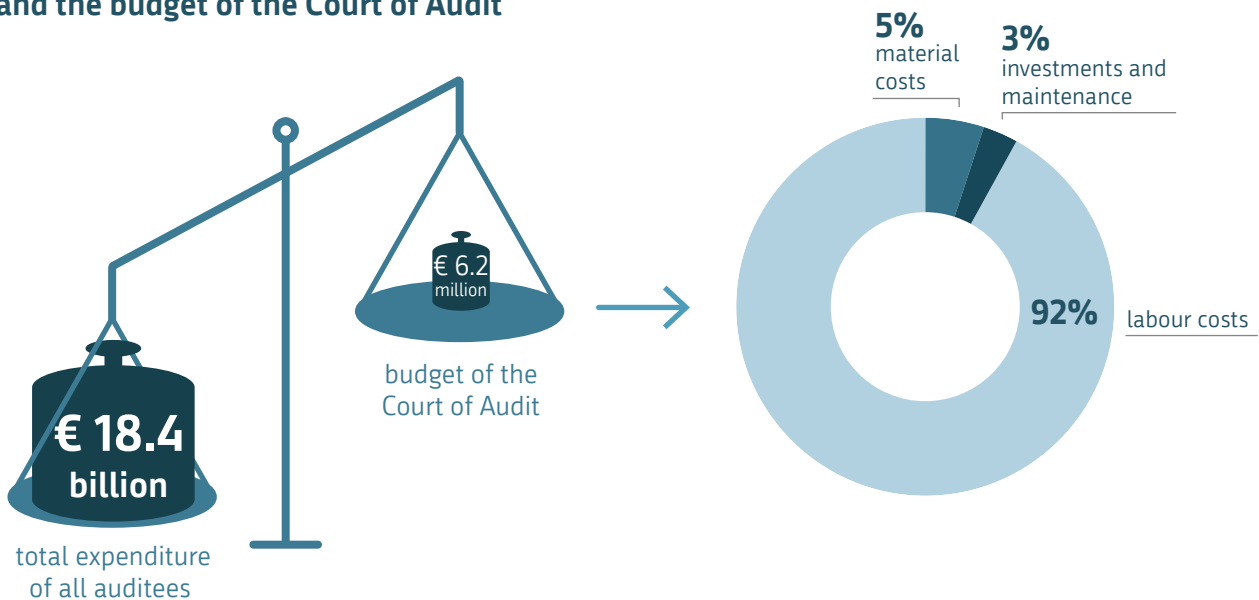


365
recommendations given
to the users of public funds



3.735
media publications
related to the
Court of Audit

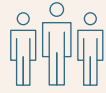
Comparison between the total expenditure of all auditees and the budget of the Court of Audit



AUDIT PLANNING

AUDIT PROPOSALS

RECEIVED INITIATIVES FOR AUDITING



147
INDIVIDUALS
AND GROUPS



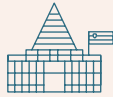
55
MINISTRIES AND THEIR
SUBORDINATE BODIES



6
LOCAL COMMUNITIES



77
OTHER INSTITUTIONS



14
NATIONAL ASSEMBLY
AND DEPUTIES



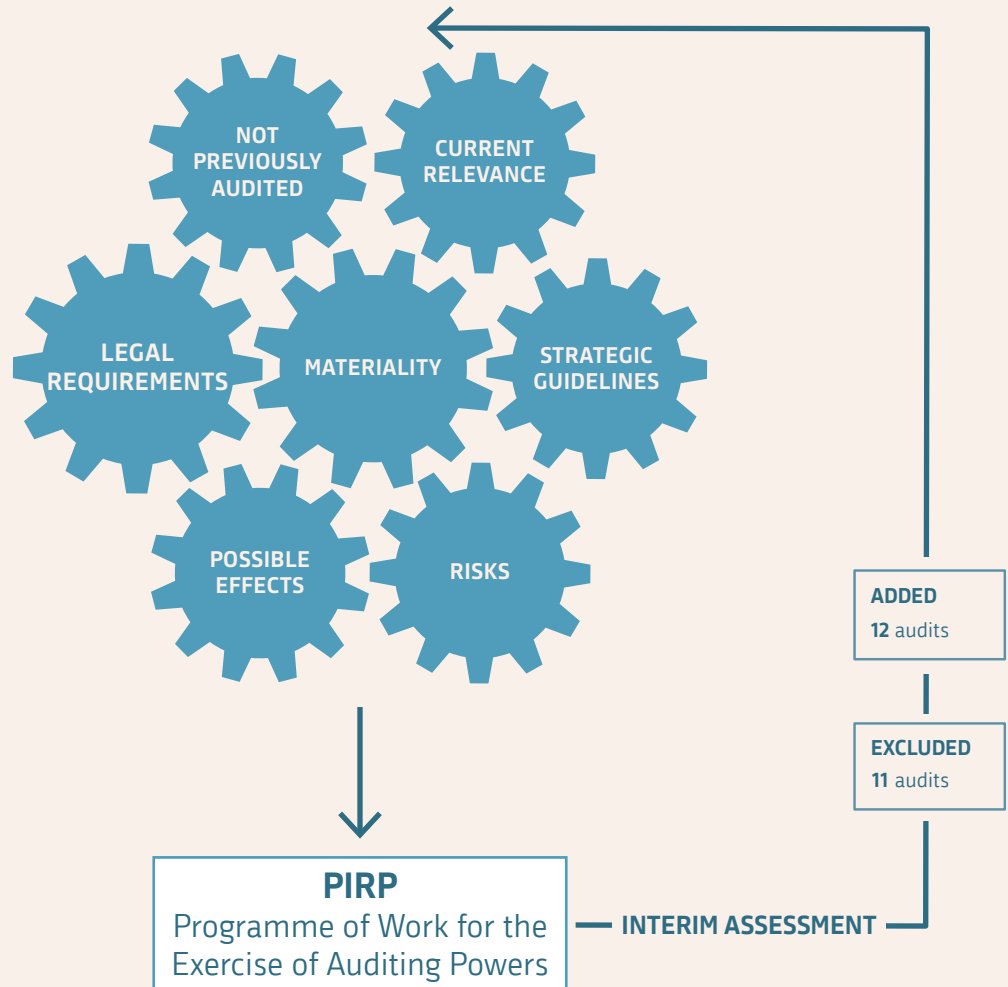
96
ANONYMOUS

DATA ANALYSIS

MEDIA

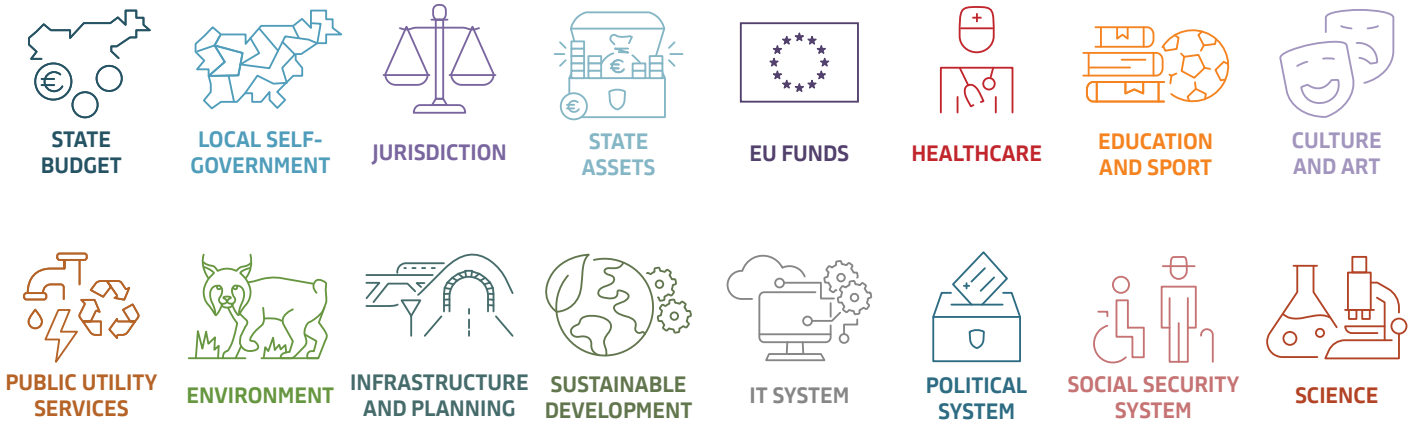
AUDIT FINDINGS

SELECTION CRITERIA



AUDITS

TOPICS COVERED BY THE AUDITS



62

AUDIT REPORTS



AUDIT OPINIONS EXPRESSED

CORRECTIVE MEASURES

PROPOSALS TO THE AMENDMENTS OF THE LEGISLATION

SAVINGS

RECOMMENDATIONS

45 AUDIT REPORTS WITHOUT A DEMAND

17 DEMANDS TO SUBMIT RESPONSE REPORTS

+ DEMANDS TO SUBMIT RESPONSE REPORTS CONCERNING 2018

AUDITEES

121 MEASURES IN THE RESPONSE REPORTS

- 99 adequate
- 17 partially adequate
- 5 inadequate

23 POST-AUDIT REPORTS



13 decisions on violation of the requirement for operational efficiency

42 on the regularity of operations

- 10 unqualified
- 19 qualified
- 13 adverse

15 on the financial statements

- 8 unqualified
- 6 qualified
- 1 rejection of an opinion

28 on the performance of operations

- 28 descriptive

COOPERATION WITH THE MEDIA AND THE PUBLIC



118
written responses
to questions posed
by journalists



3.735
media publications
related to the
Court of Audit



166
posts on
social media



available
phone communication

WEBSITE



386
subscribed to news on audit
phases of one or several
audits in progress and
on issued audit reports

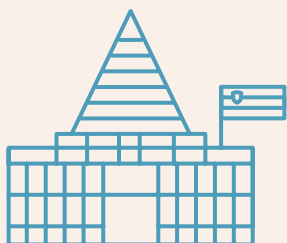


101
subscribed to updates
on news and events
of the Court of Audit



42
published news
on the website

COOPERATION WITH THE NATIONAL ASSEMBLY AND THE NATIONAL COUNCIL



15
reports discussed by
the National Assembly

1
session
of the National
Assembly

12
discussions of the
Commission for
Public Finance
Control

2
discussions of the
Committee on
Labour, Family,
Social Affairs
and Disability

2
reports discussed by
the National Council

1
session
of the National
Council

1
discussion of the
Committee on
Economy, Crafts,
Tourism and
Finance

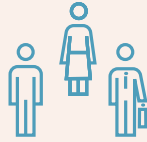
INTERNATIONAL COOPERATION



20
meetings held abroad



10
visits by foreign delegations



29
representatives of the Court of Audit



24
presentations



1
joint international audit



4
articles in the international publications

COOPERATION IN INTERNATIONAL ORGANISATIONS

INTOSAI

EUROSAI

EURORAI

Contact Committee

OECD

V4+2 Group

Bilateral cooperation

Other international organisations

COUNSELLING

OPINIONS AND ANSWERS TO THE USERS OF PUBLIC FUNDS



123
written responses to the questions posed by the users of public funds

Mostly

- to non-commercial and commercial public service providers
- to local communities
- to political parties and organisers of the election campaigns
- to ministries and their subordinate bodies

TARGET GROUPS



33
trainings for domestic and international audience

PUBLICATIONS ON THE WEBSITE



database of all audit and post-audit reports



manuals and auditing standards

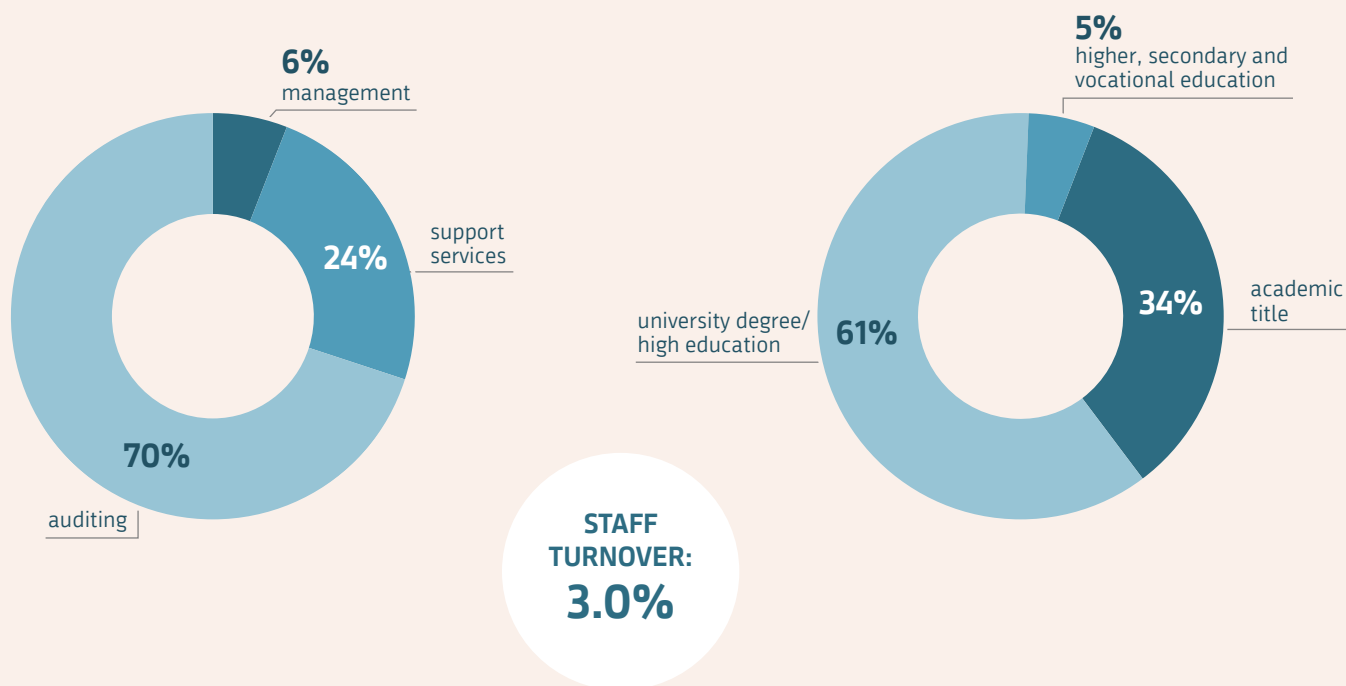


views and opinions



summaries and infographics

STRUCTURE OF EMPLOYEES BY FIELD OF ACTIVITIES AND FORMAL QUALIFICATION



PROFESSIONAL DEVELOPMENT TRAININGS

DEVELOPMENT OF AN ANNUAL TRAINING PROGRAMME



TOPICAL PROFESSIONAL ISSUES
AMENDED LEGISLATION
PROPOSALS BY EMPLOYEES



ANNUAL TRAINING PROGRAMME

TRAININGS IN SLOVENIA AND ABROAD



70

employees attended seminars and conferences organised by different institutions in Slovenia



21

employees attended seminars or other forms of training abroad

TRAININGS ORGANISED BY THE COURT OF AUDIT



10

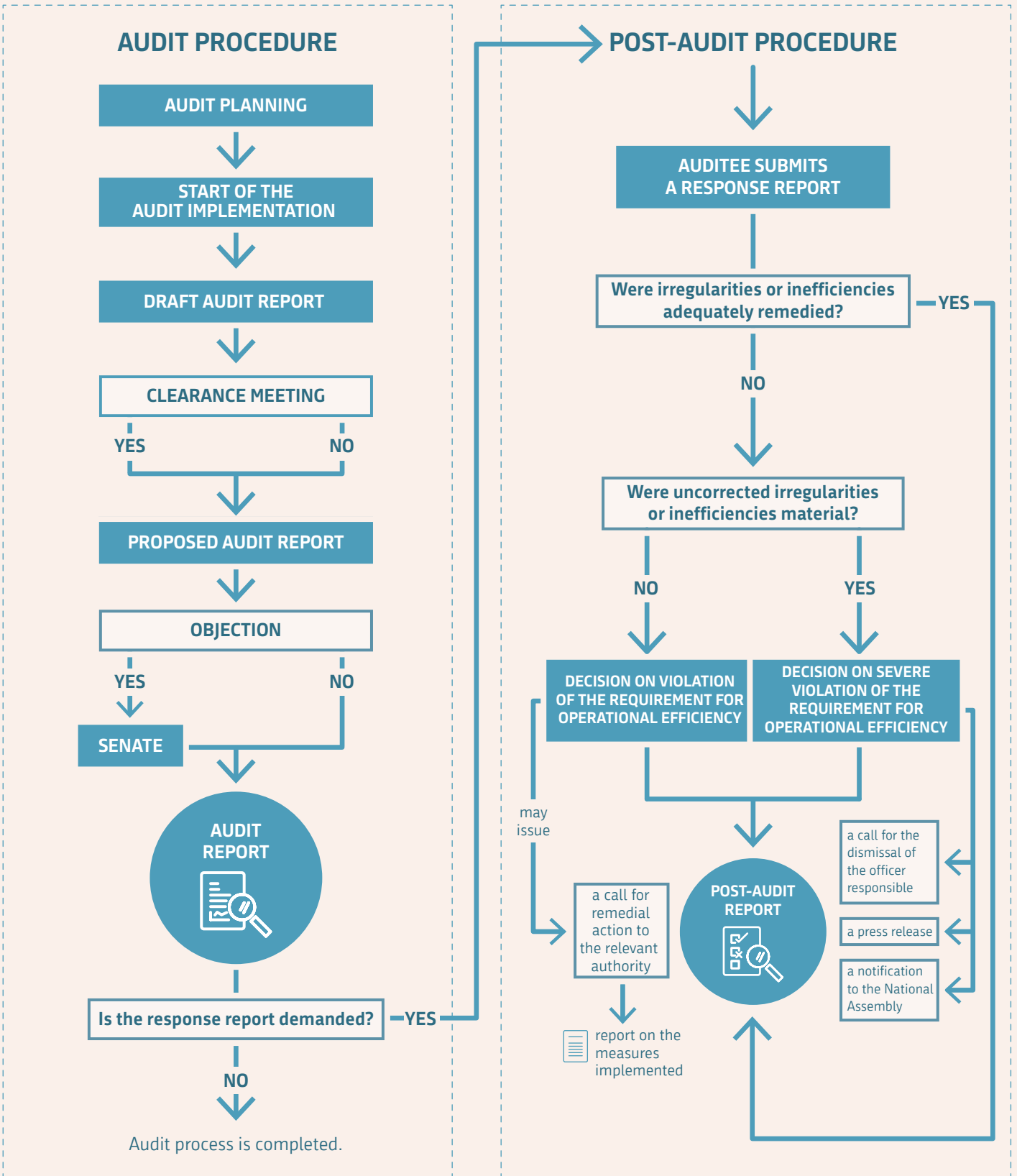
trainings organised by the Court of Audit



133

employees participated in trainings

AUDIT PROCESS





REPUBLIC OF SLOVENIA
COURT OF AUDIT

Watching over public money

Računsko sodišče Republike Slovenije
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