

RAČUNSKO SODIŠČE
REPUBLIKE SLOVENIJE



**SLOVENE COURT
OF AUDIT STRATEGY
2007-2013**



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PART 1. AIMS AND PURPOSE OF STRATEGY

1. We are pleased to present the Slovene Court of Audit Strategic Plan 2007 — 2013. It sets out the key factors which are likely to impact on the Court of Audit over the period, our response and our strategic objectives for the next six years.
2. Slovenia is witnessing changes in the delivery of public services and further reforms are expected over the coming years. There are plans to continue with the privatisation of state owned assets, to introduce public private partnerships in the provision and financing of public services; the outsourcing of public services is increasing; and a significant increase in EU funds is expected over the planning period. The impact of these factors on our work is considered in Part 3.
3. It is essential that the public sector is able to manage these changes effectively. If not, there will be increased risk of financial mismanagement, poor value for money, fraud and impropriety. The Court of Audit will need to monitor implementation of the changes. At the same time the Court will respond to these changes by developing and extending its performance audit work, making effective recommendations, whilst continuing to ensure coverage of government programmes through carefully planned financial audits and regularity assignments.
 4. The Court of Audit is uniquely placed to provide Parliament as well as wider public with assurance on the financial management, regularity and value for money with which Ministries and other bodies have used public funds. We are a professional organisation and have a good track record of providing assurance on these subjects.
 5. This strategic plan covers a period of six years. In this time we expect the objectives pursued and the strategies supporting the key areas of the Court of Audit's activities will be achieved. It is important that this plan will be a living document. We shall review its contents regularly, inviting comments from stakeholders, including members of the public, identify any changes in the environment and risks presented, and make plans to respond to those risks.



PART 2. THE SLOVENE COURT OF AUDIT

Mission Statement

- 1.** The mission of the Court of Audit is to inform the public about important audit findings from the audits of state bodies and other public funds users in a timely and objective manner. In addition, by drawing on our experience and expertise the Court of Audit delivers best practice advice to state bodies and other users of public funds on how to improve their financial management.
- 2.** The Court of Audit supports Parliament in fulfilling its responsibilities by identifying and disclosing irregularities and inefficiencies and making effective recommendations for improvement. Bringing to account state bodies and holders of public functions directly contributes to improvements in the welfare of the citizens of the Republic of Slovenia and the European Union.
- 3.** We endeavour to be a transparent, objective and independent organisation, continuously investing in the development of our staff to ensure we operate to the highest professional standards.

Vision

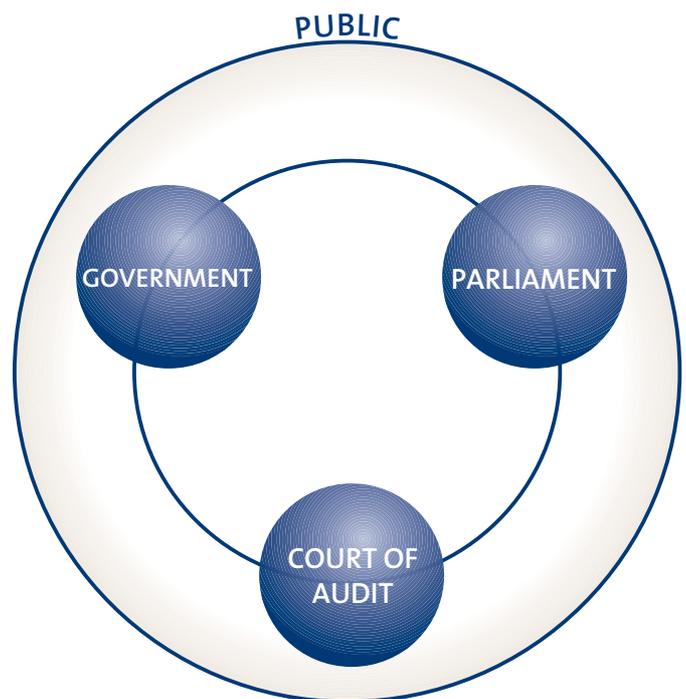
- 1.** To successfully carry out our role in watching over public money and improving value for money for the taxpayer, it is vital that we continue to be regarded by our stakeholders as a trustworthy and credible partner. It is therefore essential that:
 - The public perceives the Court of Audit as an independent and visible auditing and supervisory body with a high level of integrity that is competent and objective and makes an effective contribution to the supervisory tasks.
 - Government perceives the Court of Audit as a competent and independent auditor that actively helps to improve the government administration in terms of the use of public funds. Our aim is to assist institutions using public funds to improve their operations by performing audits and by consulting.
 - Parliament perceives the Court of Audit as the independent auditor watching over public money, reviewing whether the funds are used correctly and efficiently and reporting on its findings to Parliament and the public on a regular basis.
 - Our auditees perceive the Court of Audit as the body that assists institutions using public funds to improve their operations by performing audits and by consulting. We think

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it is important that our activities lead to positive and beneficial changes for the users of public funds. We do this by providing advice and making recommendations to public funds users during the audit process and in our reports.

Relationship between the Court of Audit, the public, the Government, Parliament and auditees:



Values

- 1.** We adopt the values expected for the auditors working to professional auditing standards, and INTOSAI for public sector auditors. We also follow the values expected by the Government of Slovenia with regard to public sector employees. The auditors' and public sector servants' values are a reflection of the public's expectations that our auditors work ethically and respect these principles when performing public functions.
- 2.** The Court of Audit exercises its powers independently within the framework of legislation. In selecting audits to be included in our annual work programme we endeavour to respond to public expectations as efficiently and effectively as possible. However there are a number of factors that have to be taken into account before deciding on work



commitments — for instance risk to value for money, exposure, timeliness, public and parliamentary accountability — and we must therefore remain independent to make the final choice of topics to be included in our programme for a particular year.

3. We have set ourselves four key values to be exercised in our daily work — independency, professionalism, integrity and excellence. These values give us a shared identity and enable us to work together to achieve our common goals. Putting our values into practice enables us to carry out our tasks efficiently, effectively and consistently.

OUR VALUES



Independence

1. The Court of Audit is a unique institution with a unique role. On behalf of Parliament we are the sole auditors of central and local government. As such we assist Parliament in holding government to account for the way it spends taxpayers' money. Our independence of government underpins our delivery of impartial reports to Parliament and to the wider public. Independence is also crucial in providing the Court of Audit with the required integrity and credibility and to reinforce society's confidence.

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Professionalism

2. The Court of Audit is a professional organisation. To maintain our good reputation we are dependent on highly competent employees in all parts of the organisation. The majority of our staff are graduates and a large proportion hold further qualifications.

Excellence

3. Our work is held in high regard and this is due to the skill and commitment of our staff. Our communications, both inside and outside the Court of Audit, are made clearly, openly and constructively. We make all our people feel valued and appreciated. This creates confidence and trust, which are essential conditions for working to the best of one's abilities. We are prepared to challenge and be challenged in our pursuit of excellence.
4. Training and continual investment in our staff is fundamental to the success of the Court of Audit. In recent years, we have trained and developed our people by cooperating closely with experts from other audit organisations, through secondments, training courses and participation in other events as necessary. The Court of Audit will invest further efforts in this area.

Integrity

5. In all our work we are trusted to assess services from the perspective of those who use them most. At the heart of this our integrity, knowledge of government and our professional expertise ensure that our work and reports are authoritative and prompt beneficial change.
6. Similarly we plan, conduct and report the results of our work in a manner that supports best practice, provides savings and other benefits to fulfil public expectations. All our written and oral communications are presented in a neutral, fair and balanced manner.
7. Through these values we safeguard the interests of citizens who as taxpayers are responsible for paying for our public services.



Work Areas

- 1.** The Court of Audit carries out regularity and financial audits, with the objective of expressing an opinion as to whether the financial statements have been compiled in accordance with the regulations in force, with accounting standards and other professional requirements, and whether they present a “true and fair view” of the financial position and operating results as well as the regularity of operations of the audited body.
- 2.** The Court has statutory responsibilities to undertake certain audits on an annual basis, including the regularity audit of the implementation of the State budget and regularity audits of the operations of the Health Insurance Institute of Slovenia and the Pension and Disability Insurance Institute of Slovenia. It must also audit, on a cyclical basis, the regularity of operations of a certain number of local government authorities and a sample of commercial and non-commercial public service providers. The Court determines which particular local government and public service providers it will audit in its yearly plans.
 - 3.** The Court is also empowered to carry out performance audits, looking at the economy, efficiency and effectiveness with which auditees have managed the public resources for which they are responsible. As well as looking at past operations, the Court of Audit may also examine the planned operations of audited bodies. Performance audit will be an increasing focus of our work over the period of our plan.
 - 4.** The Court’s mandate includes central government departments, local authorities, and private sector bodies or individuals who have received public funds — either from the state budget, a local authority or the European Union. Such entities include companies, banks or insurance companies in which the state or local authority has a majority stake, grant recipients and contractors employed by the public sector to deliver services. The Court will adapt to meet the challenges presented by the continuing change and development of these organisations.



Achievements so far

- 1.** The Court of Audit is a relatively young organisation, having started operations in January 1995. Since then we have steadily increased both the number of audits undertaken and the audit reports issued. The complexity of the work undertaken has also grown with the introduction of the Court of Auditors Act 2001 which allows us to inspect the efficiency and performance of the bodies that we audit.
- 2.** In response to this growth we opened our office in Maribor in December 2004 to give us a regional presence by controlling the use of public funds in the north-east of Slovenia and increase our audit efficiency. We shall consider expanding further our regional presence in other cities as the need arises.
- 3.** We believe that this is a strong starting base for the Court. This Strategy sets out how we plan to build on these achievements over the period 2007 — 2013.



PART 3. FACTORS AFFECTING OUR WORK AND OUR RESPONSE

Introduction

1. The context within which public services are delivered is changing rapidly, and the Court of Audit must respond to these changes. The Court of Audit's workload and resource needs are also influenced by the expectations of Parliament and other stakeholders, the value and type of public expenditure under scrutiny, the financial and value for money risks likely to arise, and any requests to extend the scope of the Court of Audit's scrutiny. The specific factors which will increase the level and complexity of the Court of Audit's workload over the period of this strategy are fully considered in this section.

Meeting the Needs of Parliament and the Public

2. It is our primary duty to assure Parliament and the public whether the public funds were appropriately protected and whether the use of funds was regular and effective. Parliament is therefore a key recipient of reports of the Court - all our audit reports are sent to Parliament. The main point of communication is with the Commission for Supervision of Budget and Other Public Finances.

Performance Audit

3. The Court and Parliament are firmly of the opinion that work in the performance audit area is one of the most important areas of work to develop, both in terms of impact and adding value. This work not only uncovers irregularities, but also comments and makes recommendations on the economy, efficiency and effectiveness with which public bodies are operating. Through an annual programme of reports the Court of Audit provides an independent scrutiny and assurance to Parliament, and makes recommendations that lead directly to public service improvements.
4. Public services are becoming much more complex, both in nature and their organisation. The risks to value for money are therefore also increasing. Two particular fields of emphasis are privatisation and the environment, considered below.
5. We recognise, when considering areas of risk, Parliament as well as the taxpayer expect more from the Court than just providing assurance on the regularity aspects of the spend. There is an increased need to produce reports for Parliament which also address issues of economy, efficiency and effectiveness in the way public funds have been used.
6. Therefore, we propose to substantially increase the number of performance audits carried out under the performance audit framework over the period of this plan. Increasing our work in this field will increase the amount of added value that we can bring to the public.

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7. To increase the proportion of work in this field we will continue to carry out audits with more than one objective. For instance we will carry out audits under our mandate and combine this with a performance assessment review. But we will also carry out performance audits of clients solely with the objective of commenting on the way resources have been used.
8. We also anticipate that further resources will be freed from the increased efficiency with which we carry out our regularity reviews. An increase in work will however require some additional resources over the period of this plan. Additional resources will be required not only for the addition of expertise in specific areas, but also training for our staff, further developing our audit methodologies and continuous improvement of our IT systems to support our auditors.
9. Specific areas of focus in the performance audit field will be directed towards privatisation of state owned assets, environmental audits, IT and data protection audits as well as the auditing of EU funds, where significant growth is expected.

Privatisation

10. The Slovenia Development Strategy for 2006 -2013 was published in 2005, and this document proposes a new strategy setting out the vision and objectives of Slovenia's development. It establishes new ways of working to remove factors which are hindering enterprise development within the country. These factors are likely to have a significant effect on the operations of the bodies that we audit and it is of key importance that we are able to respond to these changes.
11. At the heart of the plan is a reduction in the state involvement in the economy through privatisation of some public services.
12. The Slovenia Development Strategy reports that the State will remove some of their influence in the economy via the lowering of state ownership in companies. The Government has begun the process of selling shares of the companies owned by two state funds and has discussed a programme of selling shares in the steel industry, telecommunications and banks. This presents the Court of Audit with major opportunities and challenges. This area is very politically sensitive, is high risk and the impact of such sales have a significant impact on the state budget.



- 13.** A strategic objective of the Slovenia Development Strategy is an increase in Public Private Partnership (PPP) projects. This is where private finance is brought into the public body and represents a new governance arrangement between the public and private sectors.
- 14.** PPP is a new field of work for the Court and an area which we will expand over the next five years. As well as providing a thorough assessment of performance, our reports will identify the scope for improvement and highlight good practice which might be applied to other areas of government.
- 15.** Similarly outsourcing, whereby tasks and public services are carried out by private firms, is increasing. We have seen in particular an increase in the outsourcing of IT functions. This also represents a new area of work for the Court to which we will respond accordingly.
- 16.** These developments will be a focus of our performance audit work over the coming years. Training and developing staff in the skills and techniques to audit these areas will be fundamental to the success in responding to these major challenges.

Environment Audits

- 17.** The Slovenian Development Plan sets out the importance of sustainable development. Ecosystems and the environment should be given greater prominence. Similarly, the Development plan contains an aim to increase the emphasis on sustainable development providing preservation of the environment for future generations. To respond to this aim we propose to increase the number of performance audits and reports to Parliament in this field aimed at improving the performance of ministries and other bodies that are included in the preservation of the environment.
- 18.** This will also require some development and training for our staff and our budget proposals will include provision for this.
- 19.** Consumers, companies and users of public funds are becoming more conscious of the importance of environmentally friendly businesses. A growing number of companies consider environment protection an intrinsic part of their strategy. Various levels of public funds users (for instance ministries, agencies and state owned companies)



are interested in tackling environmental issues not only in Slovenia, but also in neighboring countries. By their nature, environmental issues are borderless. The Court of Audit has already developed an audit approach for cross-functional and multinational audits whereby close co-operation with Supreme Audit Institutions of neighboring countries has been demonstrated. The task of international co-operation in the area of environmental audit will remain a high priority of the Court during the strategic planning period.

IT and Data Protection Audits

- 20.** Information technology systems already dominate the way data processing functions are carried out. They process significant amounts of personal and other sensitive data that must be processed in a rapidly changing legal framework. The Court will respond to the challenges in this field by building the knowledge and skills of our auditors to be able to recognise the existing irregularities, poor organisation and other deficiencies in the way audited bodies organise their IT infrastructure, especially how they treat sensitive and personal data that they are empowered to collect and process.
- 21.** We plan to respond to the risks faced in this area and report to Parliament on our findings. New e-systems are relatively complicated and require the skills of specialist IT auditors. Ensuring that the Court has enough staff with sufficient and adequate knowledge to keep up with changes in this sector will present the Court with a challenge over the next few years, and we intend to ensure sufficient skills are in place.

EU Funding

- 22.** Slovenia became a member of the EU in 2004 which entitled it to receive subsidies from the EU for agriculture, cohesion policy and internal policies. In the transition period until the end of 2006 it also benefited from pre-accession and transitional assistance. There is a planned significant increase in funding from the EU for the period 2007-2013.



- 23.** This funding has to be used by the government according to EU rules and for the purposes agreed between the Slovenian Government and the EU. Our audits therefore are required to check that these rules have been followed and to identify on time any potential threats from not using all committed funds.
- 24.** The EU funds represent potential for significant additional investment resources to aid quicker economic growth and better quality of life. EU funds represent a major financial source for the implementation of the National Development Plan 2007-2013 and major strategic projects included in the Resolution on the national development projects of the Republic of Slovenia in the period 2007- 2023. It is important that we are able to offer assurance over the use of these public funds.
- 25.** A key challenge for the Court is to ensure appropriate knowledge and skills are in place to audit EU funding. We have already been involved in a twinning project to provide our auditors with some of the required skills. However, further training and development will be important over the coming years so that we are able to audit EU funding without assistance and to the required standards. The Court is expecting to benefit in future from the European Social Fund assistance available within the Operational Programme on Human Resources Development under the priority for administrative and institutional capacity building. We look forward also to working with the European Court of Audit to ensure the exchange of information and best practice in the field of auditing EU funds.

Public Administration Reforms

- 26.** Recent public finance reforms have affected the bodies that we audit. These reforms require our clients to strengthen their internal controls and introduce internal audit functions. Bodies are now expected to produce a Statement on Internal Control which is a statement of assurance from the Accounting Officer of the controls operating within their organisation. These reforms are seen as key for strengthening the regularity and performance within the public sector and we encourage the adoption of the reforms by the public sector.



27. The Court has an important role to play in terms of helping organisations to implement these public finance reforms. Awareness of the benefits that strong internal controls can have is not always apparent within our auditees and so enhancing awareness and actively encouraging organisations to follow these reforms will be a focus for us.
28. We plan to form a small project group to help manage these reforms. This will require training auditors in the field of risk management and internal control. We must also enhance the awareness of the public sector bodies of their own responsibility for risk management and internal control. This group will also be able to produce action plans and other materials and liaise with the Budget Supervisory Office as appropriate.
29. As systems of internal control become embedded in the organisations that we audit then this also has the potential to alter the approach that we take to auditing. If internal controls are strong, then this will allow us to take assurance from these controls and move away from a substantive based audit approach. This is a development that we have seen working within other EU countries, for instance the UK and Denmark.

International Audit and Accounting Requirements

30. The introduction of International Accounting Standards in future years will present a challenge for organisations to prepare their accounts to conform to these standards. Preparation by the Court for the introduction of these standards will be key.
31. Also expected in the early period covered by this plan is the introduction of accruals based accounting by the Ministry of Finance. This basis of accounting will allow the accounts to present expenditure relating to the year incurred rather than the cash expenditure in year.
32. A major challenge for the Court will therefore be to ensure that we have sufficient auditors trained in accruals accounting and International Standards to not only audit Financial Statements prepared on this basis, but also to be able to advise our auditees on the implications of these methods.

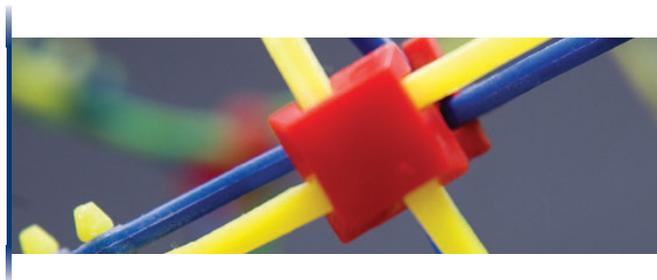


Financial Impacts

- 33.** As a publicly funded body we should be able to demonstrate that the benefits we bring to the taxpayer can be measured in cost terms. This will justify the investment that Parliament makes in funding the Court of Audit each year. So, over the period covered by this plan, we will be recording the savings we achieve for Parliament and the taxpayer to underline our commitment to making real savings for the citizens of Slovenia.

Good Governance

- 34.** Good Governance is at the heart of our work. The Court of Audit works closely with auditees in the development of governance arrangements to encourage improvement and the sharing of good practice, making use of our unique position as auditor of all central government organisations. Our Good Governance work will grow to focus on projects where we are ideally placed to add value — risk management, financial management, accountability mechanisms and the sharing of best practice.
- 35.** Good governance projects will focus on providing advice in a collaborative way that will be useful to management in improving the way they manage their business. The growing focus in central government on stronger corporate governance as a means of improving the capability of departments to deliver high quality public services means that this is an expanding area of work where we can make an important contribution.



PART 4. OUR STRATEGIC OBJECTIVES

1. We have set the following objectives to help us focus our activities to address important challenges ahead.
2. Our strategic objectives for the period 2007-2013 are:
 - **OBJECTIVE 1:** To continue to report to Parliament and the public on the results of auditing public funds timely and with high quality
 - **OBJECTIVE 2:** To react efficiently to changes in the environment and to the public's requirements and interests
 - **OBJECTIVE 3:** To continue to benefit the public sector by conducting the audit mandate and to continue contributing to a decrease in the irregularity and inefficiency in the operations of users of public funds
 - **OBJECTIVE 4:** To further increase the advisory role of the Court of Audit
 - **OBJECTIVE 5:** To enhance the capacity and skills of our employees and to continuously providing for their training and professional qualifications
 - **OBJECTIVE 6:** To continually improve communications and to strengthen the cooperation with others
 - **OBJECTIVE 7:** To further improve the institution's work organisation and management

OBJECTIVE 1:

TO CONTINUE TO REPORT TO PARLIAMENT AND THE PUBLIC ON THE RESULTS OF AUDITING PUBLIC FUNDS ON TIME AND WITH HIGH QUALITY

3. It is our primary duty to assure Parliament and the public whether public funds were appropriately protected and whether the use of funds was regular and effective. High quality of reporting is therefore essential for ensuring that we get our key messages across.
4. The Court already devotes appropriate internal resources to ensuring the quality of audit reports. Prior to publication a board consisting of three members reviews reports to ensure that correct auditing and accounting standards were followed, as well as ensuring compliance with the regulations. And of course our reports are also cleared with auditees prior to publication to ensure agreement of the facts. We do not propose any changes to the quality process, but will consider engaging external experts to quality assure a sample of our performance reports.



5. It is essential that the Court is proactive in responding to events in a timely manner, for instance to proposed privatisation of state assets. Our workforce needs to be flexible to respond to emerging issues and we have a flexible programme of work and resources which will allow this.
6. Part 5 details how each Department within the Court will contribute to the achievement of this objective.

**OBJECTIVE 2:
TO REACT EFFICIENTLY TO CHANGES IN THE ENVIRONMENT
AND TO THE PUBLIC'S REQUIREMENTS AND INTERESTS**

7. We already select the bodies that we choose to audit in any one year, as well as the topics of audit as the result of a continuous risk assessment, driven by changes in the external environment. Part 3 of this Strategic Plan has drawn attention to a number of factors affecting the Court of Audit, in relation to this continually changing environment. It is essential that we are able to react and respond. For instance, in recent years we have seen auditees outsourcing IT services to outside companies. This has meant that the Court has had to develop skills to audit these arrangements.
8. We have to keep up to date with changing technology at our clients. For instance, the Ministry of Finance has recently introduced the Unified Accounting System. State auditors must know how the system works and constantly monitor changes. As our audit approaches develop, we will also be further involved in the auditing of the system.
9. We already respond to requests from Parliament. At least five of our study proposals each year come from Parliament. We will continue to meet this requirement over the coming years.
10. The flexible nature of our workforce means that we are able to respond to emerging issues which we feel need to be addressed in a short time scale. Ensuring that we utilise this flexibility to respond on new issues in a timely manner will be a continuing focus for the Court. Where necessary we will bring in consultants to help address any capacity issues.



OBJECTIVE 3:

TO CONTINUE TO BENEFIT THE PUBLIC SECTOR BY CARRYING OUT THE AUDIT MANDATE AND TO CONTINUE CONTRIBUTING TO A DECREASE IN THE IRREGULARITY AND INEFFICIENCY IN THE OPERATIONS OF USERS OF PUBLIC FUNDS.

To continue to fulfil the legally laid down obligations timely and with high quality

- 11.** We have responsibilities to fulfil in terms of the legally laid down obligations on us. We have some mandatory audits which must be completed within given timescales and we have been successful in previous years in delivering these audits.
- 12.** We have become more efficient in the delivery of our work in recent years. The time to complete each audit has reduced and the number of staff days to complete an audit has also decreased. This has meant that Parliament now receives more up to date reports than previously. The Court will continue its endeavours to reduce the time of conducting an audit within the most efficient timescale possible without compromising the quality of our reports.

To maintain the appropriate structure of types of audits

- 13.** The Court adopts a risk-based approach in the selection of audits. Ensuring that we maintain coverage of our clients and that we have coverage of the major risk areas will continue to be important. As identified in section 3 we will also be increasing the level of activity in the performance audit field over the period of this plan. We will achieve this by carrying out performance audit along side our regularity audits where possible, to maximise efficiency.

To increase the staff skills for auditing EU funds

- 14.** Slovenia is expecting a significant increase in EU funding from 2007 onwards. Training will be required to develop sufficient skills to audit these funds. With the support of the ESF, the majority of the needs should be addressed.

To continually provide training for auditors to fight against fraud and corruption in the public sector

- 15.** Fraud and corruption within the public sector is a waste of public resources and should not be tolerated. The Court has a role to play in terms of ensuring that we gather evidence and provide this to the law



enforcement authorities on a timely basis to enable prosecution to take place. The Court needs to be proactive in this role and is working with the State Prosecutors and Jurisdiction to ensure that auditors are aware of their own responsibilities in terms of reporting fraud and corruption.

**OBJECTIVE 4:
TO FURTHER INCREASE THE ADVISORY ROLE OF THE COURT
OF AUDIT**

- 16.** The Court receives a number of questions and requests from members of Parliament, from the public and from the bodies that we audit, and by responding to these requests we are able to add value to the services we provide. A high quality and timely response will therefore be a continuing focus for us.
- 17.** These letters can cover a wide range of issues, from the misuse of public funds to a straightforward request for information. We recognise that the public and Parliament are important stakeholders of the Court and it is important that we are able to respond to such queries and measure our efficiency. We shall therefore aim to respond in a timely way to audited bodies, members of the public and to members of Parliament.
- 18.** In addition we already separately report to Parliament and the audited body on the outcome of our audit work where we believe that we are able to add value by making recommendations. Ensuring that these recommendations are meaningful and powerful will continue to be a focus of our work, as will ensuring that recommendations are followed up and key messages delivered.
- 19.** It is important that the Court is able to monitor the impact of its work. Over the period of this plan we will monitor the recommendations that we make to the bodies that we audit with a view to reporting back on how many recommendations have been accepted. Over the period of this plan we also want to monitor the financial impact of our recommendations for our audited bodies. We will be developing systems that will allow us to measure the amount of savings that our recommendations generate for the taxpayer.
- 20.** We are striving to produce good practice guides for bodies that we audit. These are a useful way of sharing our work at a relatively low cost, ensuring that information is available to all of the bodies that we audit, as well as the public.



**OBJECTIVE 5:
TO ENHANCE THE CAPACITY AND SKILLS OF OUR STAFF BY
CONTINUOUSLY PROVIDING FOR THEIR TRAINING AND
PROFESSIONAL QUALIFICATIONS**

- 21.** Training and professional qualifications are important for ensuring the quality of our work. We will continue to provide a formalised training programme and will ensure clarity over the achievement of professional training. To ensure that we make the most efficient use of our own resources, we will target training at those individuals who actually need to obtain training in order to fulfil their role.
- 22.** Ongoing training for auditors in terms of changes in the fields of audit has always been an important activity for the Court. This will be of increasing importance over the period of this plan to prepare for the challenges presented to us in terms of auditing EU funds and meeting our challenging performance audit targets. Careful planning of these training needs will be undertaken.

**OBJECTIVE 6:
TO CONTINUALLY IMPROVE COMMUNICATIONS AND TO STRENGTHEN THE
CO-OPERATION WITH OTHERS**

- 23.** An important step for the Court is the publishing of this document, which aims to add clarity to the purpose and direction of our work over the next six years. We will continue to be open to comments from our stakeholders, now and in the future, to share our vision for the future of public sector audit in Slovenia. We look forward with confidence and will provide feedback to Parliament and the public on progress through our annual reports and regular discussions.
- 24.** All of the Court of Audit reports are public. Once issued, they are also accessible to the public on the Court of Audit website. Our website also sets out the audits which are currently in progress, allowing members of Parliament and the public to easily identify the work that we are currently carrying out. We will continue to maintain this visibility of our work over the period of this plan.
- 25.** We will strengthen our co-operation with the Commission of Parliament which supervises the state budget and other public finances; with the Ministry of Finance, with internal audit departments which are currently being developed with the users of public funds, as well as other institutions within the country.
- 26.** In the international arena we will continue increasing co-operation with the supreme audit institutions of the European Union, the European



Court of Auditors and the working parties of EUROSAI and INTOSAI and will aim to build on the growing recognition of our work among the international communities. We will strengthen the Court of Audit's reputation on the international professional level and contribute to the development of state auditing nationally and internationally by applying the highest professional standards.

27. We will continue to learn from the audit methodology and practices developed by other Supreme Audit Institutions and transfer the knowledge to the employees of the Court of Audit.
28. We have been involved in a number of ongoing EU twinning projects whereby we have been learning from the experience of more developed audit nations. We have for instance recently had support from the Supreme Audit Institution of the UK in the auditing of Private Public Partnerships.
29. We will continue building on the good communications that we have with the media. We will achieve this by continuing with our briefings with the media on all major reports and ensuring that they have access to reports via our website.
30. We already hold professional meetings with our auditees to share good practice. We see these meetings as a key mechanism for presenting our findings. We aim to continue with these meetings of the period of this plan. As in previous years, we will hold an annual conference to present the Court's findings. We will also hold thematic conferences with our auditees to share cross-sectional audit findings.

OBJECTIVE 7:

TO FURTHER IMPROVE THE INSTITUTION'S WORK ORGANISATION AND MANAGEMENT

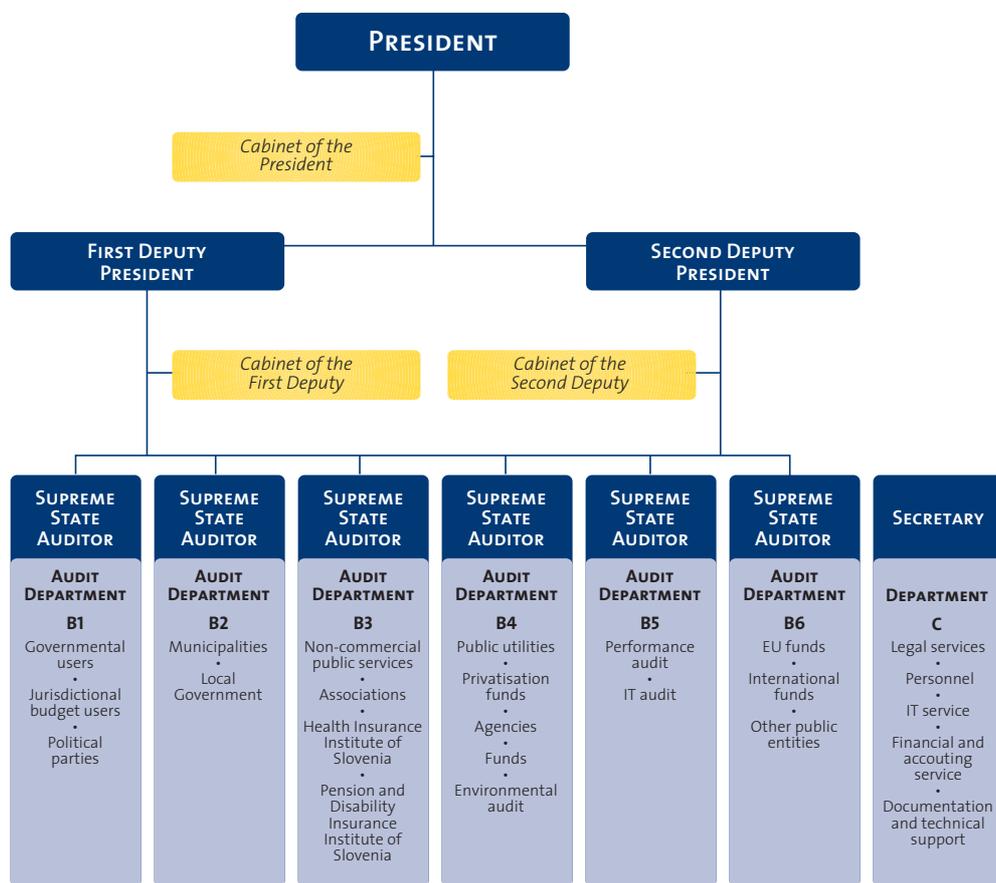
31. We want to ensure that we have documented procedures for all of our core activities, not only audit related, but also for central functions such as personnel and the financial management of the Court. The use of formally documented processes will enable more effective work organisation.
32. As we have done in the past, we will continue to strive for excellence. The further development of robust quality assurance techniques will therefore be a focus for the Court over the coming years. This will involve ensuring there is self-assessment and continuous improvement of all key areas and segments of the organisation's objectives. This will also involve benchmarking against other organisations, both in our country and internationally, thereby facilitating the transfer of good practice.

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PART 5: OUR OBJECTIVES BY AUDIT AREAS

- In addition to our overarching strategic objectives across the whole organisation, we have also set specific objectives for all six areas of our audit work. These are directly related to our strategic objectives and provide a focus for all our staff on a daily basis, and help us measure our achievements.



- In organising our work into these six audit areas we believe it is of key importance that our employees and stakeholders see us as a modern and flexible organisation, actively encouraging creativity and innovation, operating within a modern and dynamic working environment. We will encourage further flexibility within the six audit areas so that our staff continue to be used in the best possible way, matching their skills and competencies on tasks to greatest effect.
- Above all we want to deliver work for the benefit of the taxpayer that is of high quality and is of maximum benefit to Parliament, Government and our other stakeholders.



4. An important strategic objective for us, influencing much of our work, is to benefit the public sector by conducting the audit mandate and to contribute to a decrease in the irregularity and inefficiency in the operations of users of public funds. We will achieve this objective by focussing our work on risk areas within each department directing resources appropriately and flexibly to maximise the value that we can add.
5. This section sets out the contribution that each of our audit areas will make to the achievement of these objectives over the planning period. The core areas of work for each audit department within the Court are provided in the table below.

TABLE: AREAS OF AUDIT EMPHASIS BY DEPARTMENT WITHIN THE COURT

DEPARTMENT AND WORK AREAS	KEY AREAS OF AUDIT EMPHASIS
B1: <ul style="list-style-type: none"> • Governmental users • Jurisdictional budget users • Political parties 	<ul style="list-style-type: none"> • Audit of the State budget • Efficiency of the State • Sustainability of the public financial position
B2: <ul style="list-style-type: none"> • Municipalities • Local government 	<ul style="list-style-type: none"> • Managing public debts by municipalities • Internal controls of auditees • Implementation of performance assessments of the provision of public services • Public Private Partnership projects
B3: <ul style="list-style-type: none"> • Non-commercial public services • Associations • Health Insurance Institute of Slovenia • Pension and Disability Insurance Institute of Slovenia 	<ul style="list-style-type: none"> • Regularity of business operations of the non-commercial public service providers and associations, • Regularity of business operations of the health insurance institute and pension and disability institute
B4: <ul style="list-style-type: none"> • Public utilities • Privatisation funds • Agencies • Funds • Environmental audit 	<ul style="list-style-type: none"> • Privatisation • Environmental audits • Commercial public sector providers • Agencies and Funds
B5: <ul style="list-style-type: none"> • Performance audit • IT audit 	<ul style="list-style-type: none"> • Increasing the economy, efficiency and effectiveness of operations of the users of public funds • Increasing the effectiveness of the operations of the users of public funds • Special topic audits • IT and data protection audits
B6: <ul style="list-style-type: none"> • EU funds • International funds • Other public entities 	<ul style="list-style-type: none"> • More efficient state in participating in the EU policies implementation • Preventative approach; The Court as an advisor • International comparability of the work quality and findings



AREAS OF FOCUS FOR B1

6. Among other areas of its audit work, B1 is the department that audits the state budget, the tax administration and jurisdictional budget users. Reporting to Parliament and the public on the results of auditing the state budget, in particular, will therefore continue to be an important objective. The specific audit work that this area will focus resources on over the next six years include:

Sustainability of the Public Financial Position

7. We will review control over the deficit, debt and guarantees and controls over the major investments of the state in the broadest sense, including analyses of the suitability of the decision making. Work will be carried out following detailed materiality considerations and assessments of risk.

Transparency of the business operations of the State

8. We will examine the key business operations of the State. This will include regular audits of procurement by the Slovene Army, procurement in other key risk areas of the public sector and allocation of State aids. We will also examine the pay, conditions and appointments of public servants.

Efficiency of the State

9. In our revenue audit we will continue to audit the tax administration of Slovenia. A key development expected during the lifetime of this plan is the introduction of accruals accounting, which will for the first time lead to a balance sheet audit of the assets of the State. We will therefore make sure that our staff are fully trained to carry out this work. Besides the emphasis on financial audit matters in this work we will also increase our performance audit in this area by focusing on the management of state assets.
10. A significant amount of effort will also go into auditing the jurisdiction. Finally we will audit the impact of the changes and rationalisation of Government on the auditees selected for examination.



AREAS OF FOCUS FOR B2

- 11.** Department B2 will have prime responsibility, as now, for carrying out regularity and financial audits of Municipalities and Local Government. We shall also look at the management of public debt by municipalities selected for audit in our annual plan. A specific area of focus will be our work on results based budgeting. This will involve a regular programme of review of municipalities' investment policies and outcomes which will give us the opportunity to report to Parliament and the public.
- 12.** Municipalities will be selected on the basis of materiality and risk and will also involve cross-cutting audits at a number of local communities, allowing us for instance to report on the quality of service provided to the public from a benchmarking perspective.
- 13.** Following publication of the Slovenia Development Plan, we are also expecting an increase in the number of public private partnership projects (PPP) during the period, where private finance is brought into the public body. This is likely to affect the work of municipalities and local communities. For the more significant projects we shall make a thorough assessment of performance and report to public and Parliament on the results. We shall endeavour to highlight good practice, which can be applied across other bodies we audit.
- 14.** The work will increasingly require further performance audit skills over the period of the plan and staff will be given appropriate training.
- 15.** One further aspect of our work will be to assess the internal controls of auditees selected for audit.



AREAS OF FOCUS FOR B3

- 16.** Department B3 will continue to be responsible for examining non-commercial public services and associations. It also covers the regularity of the business operations of the health insurance institute, and pensions and disability institute. At Government level our team will focus on education, health, social security and culture. An increasing focus will be on developing our performance audits in these fields. Specific areas of audit emphasis over the planning period will be:

Regularity of business operations of non-commercial public service providers and associations

- 17.** We will increase the number of audits of financial statements and regularity audits within the framework of groups of auditees and to continue with publishing of audit reports with joint objectives.
- 18.** We will undertake cross-cutting audits of the regularity of business operations across an increasing number of our auditees, thereby growing the presence of our staff at a larger number of bodies than in the past.
- 19.** We will also be increasing the number of performance audits in the areas of public private partnership, asset management and concessions, and will provide for appropriate training for our staff in developing their skills.
- 20.** We shall increase our good governance work to focus on projects where we can add value, particularly in the areas of risk management and financial management. This work is designed to be beneficial to management in improving the way they manage their business.

Regularity of business operations of the Health Insurance Institute of Slovenia and Pension and Disability Insurance Institute of Slovenia

- 21.** Besides undertaking the statutory work on the financial statements, we will continue with our review of the internal control systems. We will also review the outcomes of the activities of our auditees in relation to their plans.
- 22.** Coupled with our statutory work we will also undertake quality of service reviews of the pension process, covering such aspects as the length of the pension process, as well as whether it is user-friendly and efficient.



AREAS OF FOCUS FOR B4:

- 23.** We plan to further develop three areas of our work that directly relates to our response to strategic objective 3 concerning changes in our work environment.

Commercial Public Service Providers

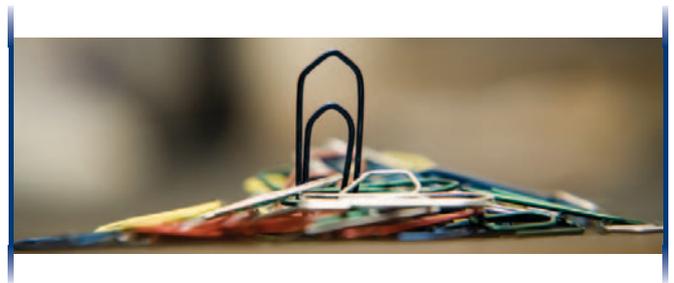
- 24.** This work will cover cross- sectional audits in the area of commercial public service providers. It will include a review of public private partnership and reviews of the regulation of commercial public service providers, such as prices and conditions.

Environmental audits

- 25.** This is an area that we plan to expand as mentioned in section 3, since Environmental issues are emerging strongly. Specific areas for us to address are:
- Monitoring the implementation of the international protocols and agreements;
 - Reviewing the implementation of the measures for nature protection and natural resources;
 - Sustainable development;
 - Reviewing the introduction and implementation of the environmental taxes; and
 - Changes in the legislation and cooperation in the development of new legislation referred to the area of commercial public services

Privatisation

- 26.** We will monitor the implementation of the privatisation processes set out in section 3 of this plan and carry out audits of the more significant privatisation projects.



AREAS OF FOCUS FOR B5

- 27.** Work here will cover the efficiency and effectiveness of the operations of the users of public funds. We will also look at specific topics where, although the level of public funds involved is small, there are greater implications for the users of those funds, particularly those in more vulnerable groups such as the disabled, elderly, unemployed and minority groups.
- 28.** In this work we will point out for instance inefficiencies in the provision of public services and will provide comparisons in our reports between the actual and intended impacts of the services provided. On the effectiveness side of our work, we will point out to auditees where objectives are undefined or insufficient as well as where we consider objectives are not being fully met.
- 29.** As explained in section 3, IT is an area that is increasing in importance. B5 will therefore be responsible for focussing on these audits. We will also be co-operating in the development of the legal and technical frameworks for IT audits within the EUROSAI on topics such as e-administration and the reduction of tax evasions.

AREAS OF FOCUS FOR B6

- 30.** Department B6 covers EU Funds, International Funds and other public entities. The work of B6 therefore feeds directly into objective 7 of our strategic objectives, that is to strengthen the co-operation with others.
- 31.** We mentioned in Part 3 the growing importance of auditing EU funds and we shall need to ensure we have adequate capacity and skills in place to fully respond to the opportunities presented. Over time B6 will aim to be recognised as a 'Centre of excellence' in respect of EU funds management and implementation.
- 32.** An increasing emphasis for us will be to conduct system audits at our clients which contribute to better governance of public funds. We see scope to assist clients by acting as a welcome partner, for instance by assisting clients at an earlier stage of the process, in effect moving our audit emphasis from 'detection' to 'prevention'.



33. Specific areas of focus will be:

International comparability of the work quality

- 34.** Strengthening the Court of Audit's reputation at the international professional level by increasing expertise and by adopting the highest professional standards.
- 35.** We will increase the share of work and comparability in the international environment. This will include acquiring and using the achievements of the audit methodology and practice developed by other Supreme Audit Institutions (SAIs) and to transfer the knowledge to the employees of the Court of Audit. We will also transfer knowledge to other SAIs who are looking to strengthen their skills.

**CONTRIBUTIONS TO THE STRATEGIC OBJECTIVES FROM ALL AREAS
IN THE COURT:**

*Contributing to a decrease in the irregularity and inefficiency
in the operations of Audited Bodies*

- 36.** All departments will increase the number of performance audits. As explained in section 3, this is an area where we can add substantial value to the public sector to help clients improve the economy, efficiency and effectiveness in the way they use public money, which in turn will provide increased value to the taxpayer.
- 37.** Our Good Governance work will also grow across all areas of our work and will focus on projects where we can add value such as risk management, financial management and accountability mechanisms. Good governance projects will focus on providing advice in a collaborative way that will be useful to management in improving the way they manage their business.
- 38.** All areas will also be expected to deliver further outputs on improving the quality of public services as already outlined.



Further developing our audit methodology and reporting

- 39.** All departments will also develop audit methodology appropriate to their set of clients. For instance, B1 will be developing the audit methodology for the audits of the state budget on the basis of risk and materiality. B2 will develop audit methodology for auditing municipal budgets, again, appropriate to levels of materiality and risk. B3 will be developing ways of increasing the number of audits with joint audit objectives, for instance audits of financial statements and regularity.
- 40.** As well as carrying out audit methodologies and programmes specific to a particular client we shall also be looking to introduce topics which can be applied to more than one client group, for instance public procurement. This will produce significant efficiencies to the Court of Audit as well as providing added value to our clients.
- 41.** We will also be looking at ways in which we can develop our reporting. This will include, for example, ensuring that reports meet the needs of members of the public, i.e they are clear, concise and comprehensible. We will also be looking at ways of further standardising our reports.

Increasing the advisory role of the Court

- 42.** Across all departments within the Court we will be looking to increase our advisory role as set out in objective 5. We will be looking to identify system weaknesses in our auditees' operations and to develop appropriate recommendations for the improvement of the systems, and to report these findings in a clear and user friendly way. Across all of our work we shall be looking to improve our audit recommendations to add value to our clients.



PART 6. RESOURCES

1. The Court of Audit is committed to using all its resources as effectively as possible in pursuit of its new strategic objectives.
2. Our people are our key resource. Our new strategic objectives require us to build on the expertise that we already have, to develop knowledge and expertise in new areas and to share this effectively across the organisation.
3. Our staff need to be flexible, and to work in new ways that reflect the ongoing changes to public services. We are committed to investment in our staff to support this. Our training programmes will be targeted to ensure that our staff are equipped with the right skills to operate with stakeholders, to work with complex systems and data to form accurate, credible judgements, and to communicate their findings clearly to a wide range of audiences.
4. Currently, we employ some 130 staff. Future staffing requirements will, on the one hand, depend upon the impact of those factors identified, such as structural changes, in the sectors in which we operate, as well as on our own responsibilities. However, as noted, the expectations being placed on the Court of Audit are increasing and this will need to be matched by a small increase in employees. This will be kept under review throughout the period of this Strategic Plan.
5. Our employees possess high professional competence. Our personnel policies will provide a basis for recruiting and retaining employees with the appropriate expertise. We employ a range of qualified staff including qualified State auditors, certified auditors and certified auditors of Information Systems. Recruitment, training and development of staff is therefore fundamental, although we recognise that the continual development of staff is crucial to keep abreast of changes in the environment that we are working in.
6. As we grow our work to respond to the important changes outlined, we recognise we need to increase training in the performance audit field, acquire expertise to meet our Environment audit expectations and also gain expertise in the auditing of EU funds.
7. Effective leadership will also encourage employees' professional and personal development as well as promoting the values of collaboration within the organisation. Our best results will be achieved when we work together as a team and we shall continue to engender a strong corporate team spirit.
8. We believe that through our continued identification of internal efficiencies and our focus on achieving our strategic objectives as efficiently as possible, we will continue to provide the public, Parliament and our auditees with very good value for the money invested in our services.