



# Annual Report

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2004

*Watching over Public Money!*



# Annual Report 2004

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*Watching over Public Money!*

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# Contents

7	Introduction
9	Implementation of the Audit Programme
9	Basic Data on Programme Implementation
11	Results of the Pre-audit Procedures
13	Results of the Audit Procedures
13	Number of Audits
17	Types of Audits
18	Opinions Issued in Audit Reports
18	Time Required for Audit Implementation
22	More Important Audits
22	Audit of Business Operations of the State
24	Audit of Business Operations of the Health Insurance Institute of Slovenia
25	Audit of Business Operations of the Pension and Disability Insurance Institute of Slovenia
26	Audits of Business Operations of Municipalities
29	Audits of the Regularity of Operations of Commercial Public Services Providers
29	Audits of Public Water Supply Utilities
30	Audit of the Business Operations of Kobilarna Lipica
31	Audit of the Regularity and Expedience of Business Operations of the Public Utility Podjetje za vzdrževanje avtocest, d. o. o.
32	Audits of Business Operations of Non-commercial Public Services Providers
32	Audit of the Regularity and Efficiency of the Medical Supplies and Expendables in Hospitals
33	Audits of Galleries and Museums
34	Audits of Health Centres
35	Other Audits
35	Audit of the Regularity of Implementation of the Projects within the ISPA Pre-accession Programme
36	Privatisation Audits
37	Audit of the Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. – Prvi pokojninski sklad Pension Fund
37	Audit of the Financial Statements and Regularity of Operations of the Nepremičninski sklad Real Estate Fund
38	Audit of the Regularity and Expedience of Operations of the Blagovica-Šentjakob Road Construction Firm
38	Audits of the Regularity of Election Campaigns
40	Results of the Post-audit Procedure
40	Post-audit Reports
42	Motions for Instituting Violations Proceedings and Reporting Criminal Offences
43	Quality Control
43	External Supervision
43	Internal Audit
44	Co-operation of the Court of Audit with the National Assembly
45	Recommendations and Advice to the Users of Public Funds
46	Development Incentives of the Court of Audit
46	Twinning Project
46	Establishment of the Court of Audit's Separate Unit in Maribor
47	Training and Employment
47	Attending Seminars
47	Training for State Auditor Titles
48	Employment
50	International Co-operation
50	Co-operation with International Organisations
51	Co-operation with International Institutions

# Introduction

2004 was an important year for the Court of Audit: we celebrated the tenth anniversary of our operations, increased the number of employees, opened a unit of the Court of Audit in Maribor, outlined new ideas for future work and implemented the tasks presented below.

In 2004, the Court of Audit issued 72 audit reports. Most of the available time, 83 per cent, was used for implementing audits prescribed by Article 25 of the Court of Audit Act. The most time-consuming and demanding audit reviews were the three mandatory audits: the audit review of the annual financial statement of the national budget, and audit reviews of the regularity of operations of the Health Insurance Institute of Slovenia and of the Pension and Disability Insurance Institute of Slovenia. In 2004, auditors of the Court of Audit reviewed operations of twenty municipalities - four of these were city municipalities, eleven commercial public services providers and eleven non-commercial public services providers. In the past year, the Court of Audit performed all of its mandatory obligations, pursuing, at the same time, a number of audit objectives which had been set with the purpose to improve the performance of the entire Public Administration through better control of the operations of public funds users. Thus in 2004 only thirteen percent of the available time was used for audits which the Court could undertake at its own choice and discretion. When implementing these audits, the Court also acknowledged suggestions. However, more time will be required in the future for these audits and the Court will only be able to cope with all the requests received by the general public if it increases the number of its auditors.

In addition to their regular work, the auditors of the Court of Audit took part in systematic training programmes which were both internal and external as well as at home or abroad. Work results of an auditor must be highly professional and improvements in this field can be achieved only through constant professional training. In 2004, 23 employees acquired the title "State Auditor" while new programmes are under way to acquire the title "Verified State Auditor". These programmes will provide knowledge and skills required for organisation and management of the most demanding public finance audit reviews.

The Court of Audit also participated in international activities in 2004: its representatives took part in multilateral and bilateral events, engaged in working groups, participated in research activities led by the supreme European audit institutions, and provided assistance and advice to several supreme audit institutions which had just commenced operating in their countries.

The work and experience acquired in the past year were important when setting the goals of the Court of Audit. Its most important guidelines in the field of auditing are as follows:

- The Court of Audit shall make every effort to implement the highest possible number of audits in order to examine the operations of as many public funds users as possible. The time required for mandatory audits will be reduced through increased efficiency of auditing and a higher number of horizontal audits will be introduced which will enable the Court to focus on specific topical issues.
- In order to improve its overview of appropriation implementation, the Court of Audit started to devote more attention to performance audits and to operation of the performance-oriented principle. In this way, direct and indirect users of state and municipal public funds are compelled to achieve their goals through more efficient and rational use of their funds.
- Given that issues and problems linked to the protection of the environment are becoming increasingly more urgent, in the future the number of environmental audits will also be increased. A pre-audit environmental review was carried out by the Court in 2004 in order to prepare for a tripartite environmental audit which will take place in 2005, on the initiative of the supreme auditing institution of the Republic of Austria, and with the supreme auditing institution of the Republic of Hungary also participating.
- Following Slovenia's admittance to the European Union, the tasks of monitoring and supervising the use of the funds received from the European Union were added to the tasks of our auditors. Funds received from the EU budget represented in 2004 a growing item within

the structure of financing programmes and projects in Slovenia, and this trend is expected to continue in the future.

- When preparing and implementing its annual plan of activities, the Court of Audit strives to timely respond to topical and well-grounded cases of suspected irregularities detected among users of public funds. In such cases, the Court always acknowledges suggestions made by the wider general public. When deciding which audits to undertake, however, the Court must act in compliance with the regulations stipulating implementation of audits and must also consider the following criteria: *the amount available to the user of public funds in question, risk analyses of compliance, efficiency, rationality and effectiveness of his operations, will the findings of a particular audit positively contribute to further work of the public administration, will the effects or added value of a particular audit improve operations of the state, whether a particular audit review is feasible if the time and staff constraints are taken into consideration.*

The Court of Audit's constant endeavours are directed towards having the field of public finance in good order and transparent and towards ensuring that public funds users operate in compliance with the regulations and in accordance with performance-oriented principles. It is important to observe that the Court has a precautionary function as regards to improvements in the use of public finance; it implements this function by formulating opinions and views on issues dealing with public finance and by making proposals to change legislation.

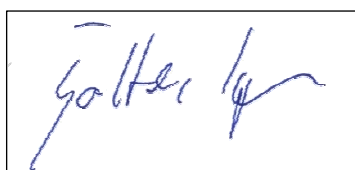
An important part of the Court's activities is its contribution to developing the auditing profession. When implementing its audits, the Court of Audit introduces new approaches and methods of auditing and other new functions as it acquires new knowledge when co-operating internationally.

The Court of Audit will strengthen its co-operation with the Commission of the National Assembly which supervises the state budget and other public finance, with the Ministry of Finance and its Office of the Republic of Slovenia for Budget Supervision, with internal audit departments which are currently being developed within the users of public funds, as well as with other institutions in the country which ensure that the operations of the users of public funds are transparent.

Internationally, the Court of Audit will increase its co-operation with supreme audit institutions in the European Union, the European Court of Auditors, and the working parties of EUROSAI and INTOSAI; it will transmit its own organisation, working methods and good practices of auditing to supreme audit institutions in some European countries in which such activities have been introduced only recently. It will, at the same time, strive to increase its recognition among international professional circles.

The Court of Audit keeps the general public informed about its work methods and audit findings and in this way ensures that the activities of the Court of Audit are public.

Goals which the Court of Audit has set for itself in various fields of operating are directed towards establishing a higher culture of public finance - a culture in which regularity and the principle of performance-oriented operations will become natural features. The Court of Audit will achieve this by establishing itself as an unquestioned authority, on the basis of the high professional level of its work, so that recipients of budgetary funds will be prepared, in addition to simply following the measures suggested by the Court, to follow its recommendations and advice as well.



# Implementation of the Audit Programme

## Basic Data on Programme Implementation

The Court of Audit's basic task is to ensure better operations of the public administration by supervising operations of public funds users. Its supervision is implemented via audit reviews which provide relevant and competent evidence to enable the Court to issue its opinion on the operations of the public funds user in question that was subject of an audit review:

- during its audits, the Court ascertains whether the financial statements in question are complete and accurate,
- when performing a regularity audit, it issues an opinion on compliance of operations with the regulations and directives that must be respected by all users of public funds,
- when carrying out a performance audit, it issues, on the basis of gathered evidence, an opinion on the economy of a particular user of public funds (how a given scope and quality of services can be achieved at lower costs), efficiency (how to use the funds in order to achieve the highest effect) or on performance (whether the set objectives have been achieved).

The Court of Audit set forth the following goals for 2004:

- to implement, in a timely and professional manner, audits which are imposed by the legislation as mandatory for the Court,
- to carry out regularity audits of most direct recipients of budgetary funds,
- to increase the number of audits of municipalities,
- to introduce several audits which have so far never been implemented by the Court,
- to organise the functioning of the Court's separate unit,
- to better respond to requests of the general public,
- to enhance the ability of auditors to perform demanding audit tasks,
- to strengthen co-operation with the supreme audit institutions in the European Union,
- to increase the Court's recognition among international professional circles.

A detailed plan of activities was prepared by the Court of Audit on the basis of the above goals, including the audits which the Court is legally obliged to carry out and audits which can be carried out at the Court's choice and discretion. Goals were set in regard to each audit type. As the Court usually implements several types of audits during one audit review, goals are set for all of them (i.e., for the financial audit and for the regularity audit). The Court's fulfilment of its regulatory obligations in 2004 was planned and structured by percentage of time available as presented in Table 1. The implementation of the regulatory obligations has two aspects: quantitative and structural. The quantitative aspect is applied when the Court efficiently carries out audit procedures. The structural aspect is dealt with by breaking down audits into the following fields:

- implementation of the state budget,
- use of transfers of the state budget,
- operations of municipalities,
- operations of the Health Insurance Institute of Slovenia and of the Pension and Disability Insurance Institute of Slovenia ,
- use of transfers financed by the Health Insurance Institute of Slovenia,
- operations of public utilities,
- other.



Table 1: Planned percentage of available audit time by audit area

Audit area	Percentage of available audit time	
	Minimum	Maximum
A. Implementation of the state budget for 2003	15	20
B. Use of transfers from the state budget for 2003	15	20
C. Operations of municipalities in 2003	15	20
D. Operations of HIIS* and PDIIS ** in 2003	5	7
E. Use of transfers by HIIS in 2003	10	15
F. Operations of public utilities	5	10
G = A+B+C+D+E+F	65	92
H. Other	100-92=8	100-65=35

\* Health Insurance Institute of Slovenia (hereinafter "HIIS"), \*\* Pension and Disability Insurance Institute of Slovenia (hereinafter: "PDIIS")

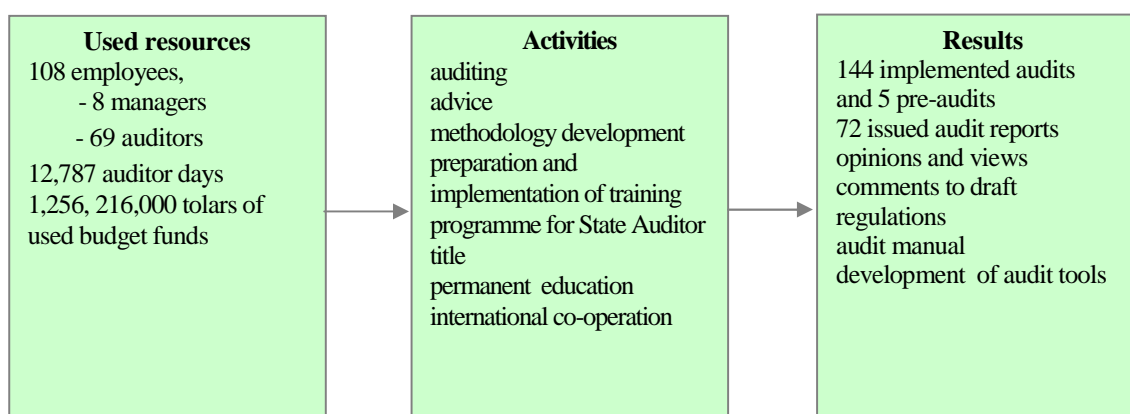
The audits under A cover obligations in Point 1 of the Court of Audit Act (hereinafter: "CA Act-1"), audits under B and E cover obligations in Point 6, audits under C cover obligation in Point 4, audits under D cover obligations in Points 2 and 3, audits under F cover obligations in Point 5, Paragraph 4. Article 25 of CA Act-1. Audit proposals must be submitted by the Supreme State Auditors and by both Deputy Presidents.

In 2004, the Court of Audit also implemented tasks which were not directly linked to auditing responsibilities and which must be taken into consideration when implementing audits:

- training for auditors to gain the title of *state auditor*,
- close co-operation with the supreme audit institutions in UK, Denmark and Spain – the Twinning Project,
- internal audit of financial statements and selected segments of operations of the Court of Audit.

The tasks which were planned for 2004 were more demanding in scope and quality if compared to the tasks from the preceding year. The Court of Audit implemented a higher number of audits of the use of transfers by the end users of budgetary funds and examined the business operations of a higher number of public utilities. The resources which were used and the results that were achieved are outlined in Figure 1 below:

Figure 1: Used resources and achieved results of the Court of Audit in 2004



According to the data in the REVIS computer programme, which records implementation of tasks and presence and absence of auditors, there were 16,774 auditor-days available in 2004. The number of auditor-days and the structure are presented in Table 2.

Table 2: Number of auditor-days by type of task

Type of task	Number of auditor-days in 2004	Structure in %	Number of auditor-days in 2003	Structure in %
Audits	8,856	52.8	7,959	56.0
Pre-audits	588	3.5	93	0.7
Other tasks, indirectly linked to auditing	3,343	19.9	2,339	16.5
Total tasks	12,787	76.2	10,391	73.2
Absence from work	3,987	23.8	3,808	26.8
<b>Total</b>	<b>16,774</b>	<b>100.0</b>	<b>14,199</b>	<b>100.0</b>

Total time planned for implementation of audit tasks grew by 23 percent in 2004 when compared to 2003. Implementation of audit tasks is presented in more detail in the following paragraphs. Other tasks that the REVIS programme records as non-audit tasks include all kinds of training and meetings at the Court or outside it which cannot be attributed to a particular audit, as well as tasks performed by auditors on the request by the Head of Department or Member of the Court of Audit.

In January and February 2004, some of the time recorded under other tasks but connected with auditing was spent on development of new methods and techniques for auditing state and municipal budgets as well as for the preparation of guidelines and programmes referring to the tasks of a state auditor when fighting against fraud and corruption. Time earmarked for implementation of other tasks increased in 2004 by 43 percent when compared with 2003, reflecting the fact that intensive training took place in 2004 for obtaining the title of State Auditor. Training activities were also carried out on Saturdays and this additionally increased the scope of audit time available.

The data under "absence from work" includes annual and extra holiday leaves of auditors, state and other public holidays, and a high percent of absence due to maternity leave (960 auditor-days), sickness and recovery. Absence from work increased by 4.7 percent in 2004 when compared with 2003.

## Results of the Pre-audit Procedure

In 2004 there were 588 auditor-days or 3.5 percent of the available time planned for pre-audit procedures during which the auditors of the Court of Audit examined information in order to decide whether to continue with audit procedures or not, during which they gathered data for preparation of detailed audit plans. In the annual programme for 2004 there were four pre-audits and all of them were commenced and completed in 2004.

Substantive tests of internal control systems were carried out in 2004 within pre-audits and, to a smaller extent, also within regular audits. A pre-audit review was implemented prior to the audit of the annual financial statement of the budget of the Republic of Slovenia for 2003, with the aim of analysing the risks of operating and controlling and use this analysis as a basis for the preparation of a detailed audit plan of financial statements and of the regularity of the budget implementation of the Republic of Slovenia for 2003. Auditors examined, among other issues, the annual inventory listing of assets and liabilities of direct budgetary recipients as at 31 December 2003 and tested completeness, timeliness and regularity of recording business events which are presented either as budgetary expenses or costs and are linked with the state assets or with certain balance sheet items of individual ministries.

In 2004 pre-audits of the Health Insurance Institute of Slovenia (HIIS) and the Pension and Disability Insurance Institute of Slovenia (PSIIS) were implemented as part of regularity audits carried out in these two institutions. According to CA Act-1, regularity audits are mandatory for both institutions. Better knowledge of the control environment was gained during these two pre-audits, especially knowledge in respect to the organisation of accountancy and internal control in both institutions. This proved to be a great help when a detailed audit plan for auditing financial statements and regularity of operations in both institutions for 2003 was prepared.

A pre-audit review was also planned and implemented in 2004 in the field of environmental protection. Its aim was to prepare for an audit that will be carried out in May 2005 on the initiative of the supreme audit institution of the Republic of Austria, with the supreme audit institution of the Republic Hungary also participating. The pre-audit was undertaken following a consultation in Vienna during which all the three audit institutions agreed on potential themes of the joint environmental audit. The pre-audit was introduced in line with the agreements adopted during this meeting while the audit is designed to take place in 2005. The subject of this environmental analysis deals with the issue of how to protect the quality of the water in the river Mura and its affluents, how to define the influence of factors polluting the river Mura, as well as how to protect the quality of underground streams in the territory of the river Mura, in the part where the Mura is the border between Austria and Slovenia. Another topic addressed by the pre-audit were issues linked with the establishment and functioning of the Krajinski Park Goričko Public Institute .

All the pre-audits planned for 2004 were concluded: in three cases procedures continued with introduction of audit review in 2004, in one case the procedure will continue in 2005, in accordance with the findings of the pre-audit and as proposed by the competent Supreme State Auditor.

In 2004 the Court of Audit received 163 proposals for undertaking audits. The highest number of proposals came from individuals or groups of individuals - 101 proposals, 57 were anonymous. The National Assembly submitted 3 proposals, 27 proposals were submitted by government offices, ministries and their subordinate bodies, 15 proposals were submitted by local community bodies and 15 proposals were submitted by other legal entities (commercial companies, public companies, institutions, societies and associations).

Out of the total of 137 proposals received by the Court in 2003, 23 proposals were included in its annual programme for 2004 as well-grounded, of which three audit proposals came from the working bodies of the National Assembly and one from the National Assembly delegates. The annual programme for 2004 also included three audits on the proposals of ministries and local community bodies and 16 audits on the proposals of others. Of the audits that were introduced in 2004 on the basis of the proposals by the National Assembly, three audits were not completed by the end of 2004.

Submitters determined in Paragraph 2 of Article 25 of the CA Act-1 (deputies and working bodies of the National Assembly, ministries and local community bodies) made 45 proposals for undertaking audits in 2004. When adopting the annual programme of audits for 2004, the Court included most of the proposals received by the above submitters. Since the annual programme of audits in 2004 was due to the changes in the management structure only adopted on 26 May, the Court was also able to take into consideration proposals submitted in 2004. The proposals for undertaking audits that were submitted by the working bodies of the National Assembly are presented in Table 3.

Table 3: Proposals for undertaking audits submitted by the National Assembly in 2004

No.	Submitter	Description of the proposal
1	Deputies of two political groups (Social Democrats and New Slovenia - SDS and NSI)	Performance and regularity audit of the companies Telekom, d. d., Mobitel, d. d., and Siol, d.o. o.
2	Political group	Regularity and performance audit of the public institution RTV Slovenija
3	Slovenian National Party (SNS)	Regularity and performance audit of Mednarodni sklad za razminiranje

## Results of the Audit Procedure

### Number of Audits

In the annual programme for 2004 there were 38 audits which were not completed in 2003 and 138 new audits which were included by the President of the Court of Audit on the proposal by Supreme State Auditors, Deputy Presidents and upon his own consent.

In order to complete 38 audits transferred from the annual programme for 2003, there were 1,740 auditor-days planned in 2004 and 2,669 auditor-days actually used. This increase in the used auditor-days was required because of subsequently found facts which had not been known during the planning phase. Out of 929 additional auditor-days, 85 percent were required because of expanded scope of regularity and performance audits of the following four users of public funds: Vodovod – kanalizacija, Ljubljana, Družba za avtoceste v Republiki Sloveniji, Elan and Slovenska razvojna družba (Water Supply and Sewage, Ljubljana, Slovenian Company for Motorways and Expressways, Elan, and the Slovenian Development Company). All these audits dealt with complex issues. Three of them were completed in 2004 and audit reports issued in the same year, while the regularity and performance audit in Elan and its subordinate companies continued in 2005.

Additional time used for the audits, which were completed in 2004, was mostly required due to post-audit procedures, which are in principle difficult to plan since much depends on the contents and on the scope of audit findings, as well as on measures imposed to correct irregularities. All the mentioned audits required additional resources for additional assessment of audit evidence and for implementing post-audit activities.

Table 4: Planned and used time for implementation of new audits in 2004

Audit area	Planned number of auditor-days in 2004 for new audits		Used number of auditor-days in 2004	Implemented
	Initial plan	Amended plan		
(1)	(2)	(3)	(4)	(5)=(4):(3)x100
A. Implementation of the state budget for 2003	1,720	1,720	1,719	99.9
B. Use of transfers from the state budget for 2003	1,014	1,373	843	61.4
C. Operations of municipalities in 2003	1,520	1,578	1,011	64.1
D. Operations of HIIS* and PDIIS**in 2003	360	415	370	89.2
E. Use of transfers by HIIS* in 2003	580	610	486	79.7
F. Operations of public utilities	1,450	1,210	674	55.7
H. Other	1,182	1,737	1,084	62.4
<b>Total</b>	<b>7,826</b>	<b>8,643</b>	<b>6,187</b>	<b>71.6</b>

\* Health Insurance Institute of Slovenia, \*\* Pension and Disability Insurance Institute of Slovenia

The rest of the full-year audits were completed in 2004 and all the audit reports issued. There were 8,306 auditor-days planned for 2004 for new audits and 81.5 percent of these were used. Table 5 presents the time that was planned and used for new audits in 2004 by audit area.

Table 5: Planned and used time for the implementation of all audits in 2004

Audit area	Planned number of auditor-days in 2004 for new audits		Used number of auditor-days in 2004	Implement ed
	Initial plan	Amended plan		
(1)	(2)	(3)	(4)	(5)= (4):(3)x100
A. Implementation of the state budget for 2003	2,120	2,120	2,115	99.8
B. Use of transfers from the state budget for 2003	1,144	1,415	996	70.4
C. Operations of municipalities in 2003	1,790	1,848	1,301	70.4
D. Operations of HIIS* and PDIIS** in 2003	440	495	454	91.7
E. Use of transfers by HIIS* in 2003	845	875	768	87.8
F. Operations of public utilities	1,860	1,625	1,483	91.3
H. Other	1,847	2,787	2,327	83.5
<b>Total</b>	<b>10,046</b>	<b>11,165</b>	<b>9,444</b>	<b>84.6</b>

\* Health Insurance Institute of Slovenia, \*\* Pension and Disability Insurance Institute of Slovenia

For the first time in its history, the Court of Audit was in 2004 confronted with specific challenges when preparing its annual program for auditing. Pursuant to CA Act-1, the nine-year mandate of the Court's first President expired. A month later mandates of all Supreme State Auditors, who are key decision-makers in the annual planning process, expired as well. While the appointment of new Supreme State Auditors followed immediately, the National Assembly appointed the new President of the Court only on 19 May 2004. All these circumstances had an important effect on the planning process which is briefly outlined below.

The President of the Court of Audit adopted a partial annual programme of audits on 23 December 2003. The programme mostly included full year audits, pre-audits and three new audits. The total time planned for the implementation of the audits in the partial annual programme was 2,050 auditor-days. This partial annual programme of audits enabled the Court to function without interruption during the period the management of the Court was being changed. New audit proposals were added to the partial annual programme on 16 March 2004, so that the total time planned for the implementation of audits rose to 6,459 auditor-days.

Because of the above circumstances, the initial annual programme of the Court of Audit was adopted only on 26 May 2004. The total time planned for the implementation of audits in this plan was 10,046 auditor-days. During the rest of 2004, the initial plan was amended several times, mostly due to the additional time necessary for completing more demanding audits, so that the total time planned for the implementation of audits increased to 11,165 auditor-days.

Out of 138 new audits planned in the annual programme for 2004, four audits were included on the proposals submitted in 2003 and 2004 by the working bodies of the National Assembly and by individual delegates. Because of the delay in adopting its annual programme of audits, the Court of Audit discussed and included in the programme for 2004 the proposals received from the National Assembly in 2004, while the audit of operations of the Municipality of Ljubljana in 2003, undertaken on the basis of a proposal received in 2003, was commenced and concluded in 2004.

In 2004 the Court issued 110 decrees on the implementation of audits, out of these 33 audits were concluded in 2004, four audits were concluded in their pre-audit phase, two were transferred as pre-audits into 2005, while 22 audits, undertaken in 2004 as part of a larger horizontal audit review, were cancelled

as the Court estimated that the goal would be achieved by implementing a smaller number of audits. Procedures were fully completed with 72 audits in 2004 and relevant audit reports were also issued. One of these reports was issued in respect with an audit which had started in 2000 in accordance with the previous Court of Audit Act.

There were 8,856 auditor-days used for the implementation of incomplete audits which were transferred to the annual programme for 2004 from previous years, while 8,856 auditor-days were used for the implementation of new audits in 2004. Their structure is presented in Table 6:

Table 6: The scope and structure of used time for auditing in 2004

Audit area	No. of used auditor-days for completed audits	No. of used auditor-days for not completed audits	Total no. of used auditor-days	Structure of used time (percent)
(1)	(2)	(3)	(4)=(2)+(3)	(5)
A. Implementation of the state budget	1,719	0	1,719	19.4
B. Use of transfers from the state budget	104	843	947	10.7
C. Operations of municipalities	605	696	1,301	14.7
D. Operations of HIIS* and PDIIS**	370	0	370	4.2
E. Use of transfers by HIIS*	545	223	768	8.7
F. Operations of public utilities	889	594	1,483	16.7
H. Other	1,234	1,034	2,268	25.6
<b>Total</b>	<b>5,466</b>	<b>3,390</b>	<b>8,856</b>	<b>100.0</b>

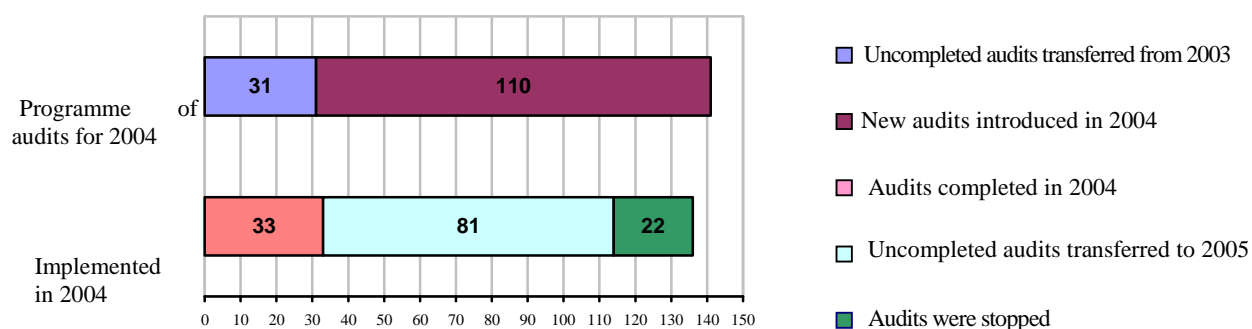
\* Health Insurance Institute of Slovenia, \*\* Pension and Disability Insurance Institute of Slovenia

The review of the time used for the implementation of audits in 2004 shows that the Court of Audit allocated most of its resources for the audit of the use of public funds acquired from the state for a defined purpose by commercial companies, funds and by other indirect recipients of budgetary funds. Out of the total 2,268 auditor-days, used for these purposes, 55 percent of the time was used for the following: regularity and performance audit of the Elan Group, a regularity and performance audit of the Slovenian Development Company, price policies in kindergartens, a regularity audit of Zavod za blagovne rezerve (Commodity Stocks Institute), a regularity audit of the Real Estate Fund of PDIIS (Pension and Disability Insurance Institute of Slovenia), a regularity audit of Prvi pokojninski sklad, (First Pension Fund) and regularity and performance audits of the sale of the hotel chain Morje, carried out by the Slovenian Restitution Fund.

An important scope of the Court's available resources were in 2004 allocated for auditing the implementation of the state budget (1,719 auditor-days) and municipal budgets (1,301 auditor-days). A considerable amount of time was used for auditing operations of public utilities and a special emphasis was put on audits of commercial public services providers (1,483 auditor-days).

At the end of 2004, there were 102 uncompleted audits from the annual programme plus one from the annual programme 2003. For the audits which were not completed by the end of the year, 3,604 auditor days were used in 2004, while 81 audits were transferred to the annual programme for 2005. The number of planned and completed audits from the annual programme 2004 is presented in Figure 2.

Figure 2: Number of planned and completed audits from annual programme 2004



The efficiency of the Court of Audit can be assessed if the data related to the years 2003 and 2004 in Figure 2 are compared.

Table 7: Results of audit work in 2003 and 2004

Task description	2003	2004	Index 2004/2003
Number of uncompleted audits transferred to the next calendar year	38	81	213
Issued decrees on audit implementation	56	110	196
Total number of undertaken audits	105	141	134
Number of issued audit reports	65 + 2*	72	107

\* The concluding opinion on the purchase of SIB shares and special report on a parallel audit of railway construction prepared jointly with the Supreme Audit Institution of the Republic of Hungary.

In 2004, the Court of Audit issued more audit reports and implemented a significantly higher number of audits than in the preceding year. At the end of the year there were 81 uncompleted audits which were mostly in the phase of reporting and were transferred to the annual programme for 2005. In the period from 1995 to 2004 the Court of Audit issued a total of 674 audit reports, 72 of them were issued in 2004. The number of reports by type and years is presented in Table 8.

Table 8: Number of final audit reports by type and year

Type of report	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Audit reports in line with the old Act										
Preliminary report	13	44	45	55	38	58	50	-	-	-
Senate I report	2	17	26	13	14	9	13	-	-	-
Senate II report	0	11	13	18	9	15	7	3	2	1
Audit reports in line with the new Act	-	-	-	-	-	-	20	44	63	71
<b>Total number</b>	<b>15</b>	<b>72</b>	<b>84</b>	<b>86</b>	<b>61</b>	<b>82</b>	<b>90</b>	<b>47</b>	<b>65</b>	<b>72</b>

In 2004, one audit was completed pursuant to the old Court of Audit Act and 71 audit reports were issued in accordance with the new Court of Audit Act. It is necessary to stress that the audit of the state budget, which was in the annual programme for 2004 planned as a single audit, consists of 16 parts (audit of the financial statements of the Republic of Slovenia and implementation of the budget of the Republic of Slovenia plus 14 audits of the implementation of the financial plan of the direct budget users). A list of all audit reports implemented in 2004 is at the end of this report.



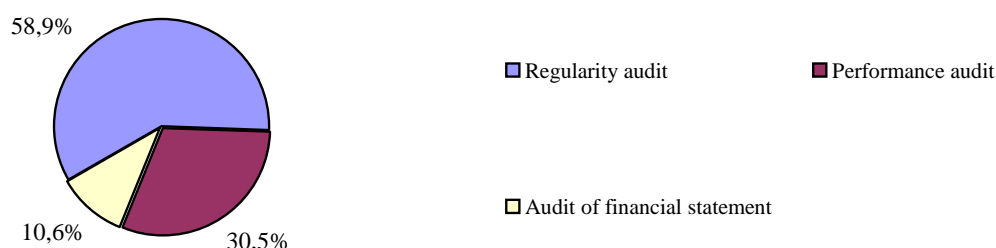
## Types of Audits

Audits can be ranked in accordance with the objectives set by the auditors. In 2004 the following objectives were set:

- to express an opinion on financial statements,
- to express an opinion on the compliance of operations with the regulations, and
- to express an opinion on the performance of operations.

The Court of Audit mainly implements audits in which two opinions are simultaneously expressed: on the regularity of operations, i.e. on the compliance with the regulations, and on financial statements. In 2004 there was only one audit in which just the performance of operations was reviewed by the auditors and only two audits in which financial statements were reviewed. In all other cases auditors reviewed the regularity of operations which was undertaken either as an independent task or carried out simultaneously with a review of financial statements or performance of operations. Types of audits for which audit reports were issued in 2004 are presented in Figure 3.

Figure 3: Types of audits according to audit objectives



Out of 72 audits completed in 2004, 69 audits or 96 per cent were audits with two audit objectives, either expressing opinion on financial statements and on compliance with the regulations, or expressing opinion on compliance with the regulations and on the performance of operations. In 2003, there were 60 per cent of such audits.

Fifteen performance audits were completed in 2004. Performance factors were included in audits of public services providers and in audits of public funds and institutions that receive funds allocated for certain programmes, including audits of three hospitals. Performance audits represented 21 per cent of all reports issued in 2004, which was more than in 2003 (16.9 per cent of all audits). Audits of the sale of state assets are included in these audits.

One of the objectives set forth in the annual plan of the Court of Audit was to implement an adequate number of audits of municipalities. Half of these audits had only one objective - to express an opinion on compliance of operations with the regulations while the rest of the audits also reviewed financial statements. In 2004, the Court experimentally applied a new approach to auditing municipalities, an approach which was developed in co-operation with British auditors. Forty audits of municipalities were implemented and 10 audit reports on municipalities were issued in 2004.

## Opinions Issued in Audit Reports

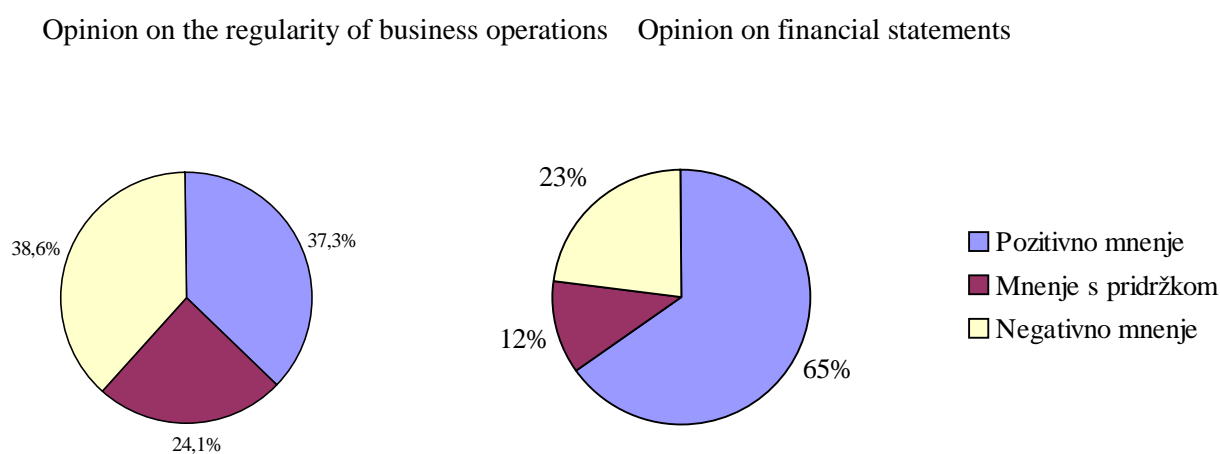
In the issued audit reports where the objectives were either expressing an opinion on the regularity of operations or on compliance of operations with the regulations, or only expressing an opinion on



financial statements, a total of 126 opinions were expressed. Opinions expressed within performance audits were descriptive and consisted of assessments of economy, efficiency and effectiveness of operations. There were 15 such opinions issued in 2004.

The most frequent type of opinion expressed was a positive (an unqualified) opinion. Audit reports, issued in 2004, contained 59 positive (unqualified) opinions which represented 46.8 per cent of all issued opinions while the majority of opinions issued in 2003, 38.9 per cent, were negative (adverse) opinions. It is nevertheless not possible to conclude that the quality of operations improved in 2004 and this is especially evident in the part concerning the regularity of operations since the percentage of all opinions, negative an positive, is nearly even if we look at the structure of all opinions - negative opinions were by 1.3 percentage points higher than positive opinions. The structure of opinions is presented in Figure 4.

Figure 4: Type of opinion expressed in 2004 - by audit objective



The Court of Audit entirely confirmed only 14 issued audit reports (11.1 per cent) on the accuracy of financial statements and on the audited entity's compliance with the regulations. Although the percentage of issued negative opinions in connection with regularity audits significantly declined in 2004 if compared with 2003 (50.9 per cent), negative opinions still prevailed (38.6 per cent). The most frequent reasons for issuing opinion with reservations and negative opinions were violation of laws and other regulations related to public funds users' financing, especially public procurement and salaries. No disclaimers of opinion were issued in 2004.

## Time Required for Audit Implementation

The efficiency of auditing did not significantly change in 2004 when compared with the preceding year. The amount of time required by the Court of Audit to implement one audit review, and the number of calendar days required from the day of commencing an audit to the day of issuing the corresponding audit report, slightly increased. This increase in time the Court required to implement one audit was a consequence of more demanding audit reviews.

In 2004, the Court of Audit concluded 72 audits and issued the same number of audit reports. Without considering the particularities of each audit type, the detail on the average use of time per one audit would not convey a relevant picture and for this reason the time used for audits in 2004 for which audit reports were issued (considering the total number of years needed for each particular audit) was calculated

according to three basic groups of audits and audit areas. The largest three audits (operations of the state, Health Insurance Institute and Disability and Pension Institute) were not included in this calculation. It was discovered that the Court of Audit spent on the average 121 auditor-days for standard audits (166 auditor-days in 2003) and 15 auditor-days for audits of election campaigns. Audits of non-commercial public services providers were the fastest to perform (99 auditor-days in 2004, 134 auditor-days in 2003). Also below the average were auditor-days required for audits of municipalities (on the average 119 auditor-days in 2004, 93 auditor-days in 2003). This can be explained by the fact that the budgets and the scope of operations of municipalities are small. The increase in the average number of auditor-days required for these audits in 2004 was a consequence of implementing audit reviews in the largest two municipalities (the City of Ljubljana and the City of Maribor). The highest amount of time per one audit was spent when auditing public utilities (148 auditor-days in 2004, 156 auditor-days in 2003).

The number of calendar days from the day of commencing an audit to the day of issuing a corresponding audit report increased by 89 days in 2004 for audits undertaken in 2003 and concluded in 2004. This number decreased by 49 days for audits undertaken in 2004 when compared with 2003. The above increase in the number of calendar days spent from the commencement of an audit and the issuance of a corresponding audit report is partially a consequence of organisational changes at the Court in 2004. The increase is also a consequence of demanding audit reviews implemented in this period. The number of days from the start of an audit to the day of publishing a corresponding audit report is presented in Table 9.

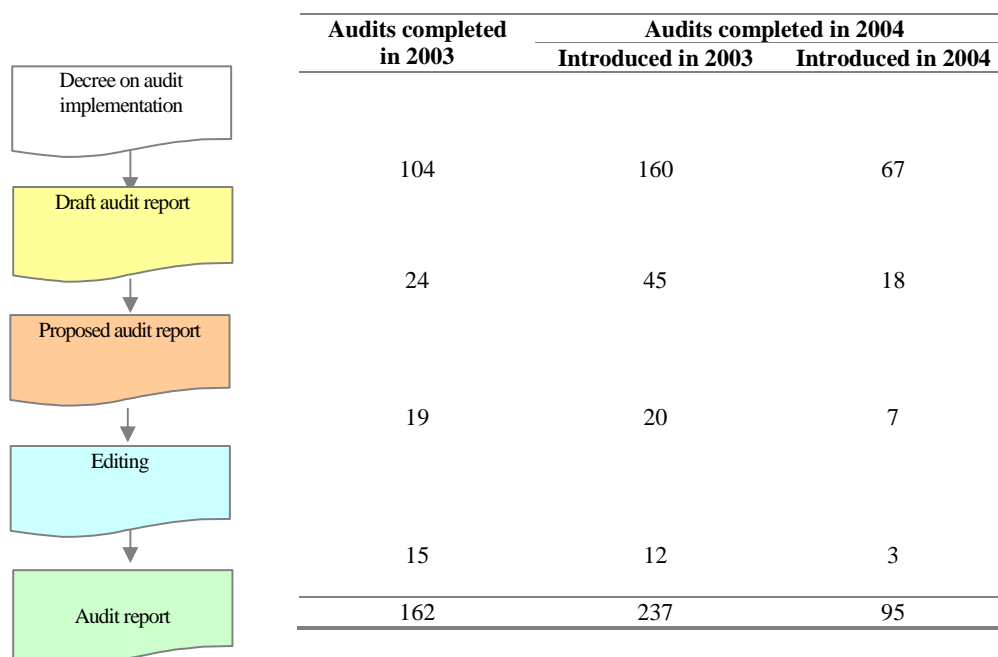
Table 9: The number of calendar days from the day of commencing an audit to the day of publishing a corresponding audit report.

Activity	Average number of calendar days per one audit pursuant to the New Court of Audit Act			
	2002	2003	2004	
			Decree issued in 2003	Decree issued in 2004
From the issuance of a decree on audit to the publication of a corresponding audit report	213	152	241	103
From the publication of a draft report to the publication of the final audit report.	71	52	81	40

The data on implementation of audits also includes the audit of the annual financial statement of the national budget and budget implementation of the Republic of Slovenia in 2003. This was the largest audit implemented by the Court of Audit in 2004 since it required 1,719 auditor-days or 19.4 per cent of the total time used for audits during this year. The detail does not include the time used for implementing a pre-audit which required 396 auditor-days. This signifies that the Court of Audit devotes more and more of its time to examining the control environment and to testing the functioning of control procedures. Besides auditing the annual financial statement of the national budget, the Court auditors also examined the compliance of operations with the regulations of 14 direct budget users. The results of this audit are presented in more detail on page 21.

The Court continues to devote a considerable amount of time to quality of audit reports. A board consisting of three members edits all audit reports and reviews each of them prior to publication from several points of view: whether auditing standards were followed, whether correct accounting standards and guidelines were applied, as well as in regard to the compliance with the regulations and the correct use of the Slovene language. The procedure for editing and preparing audit reports issued in 2004 was shortened and preparation of one audit report took on the average 12 calendar days for audits undertaken in 2003 and three calendar days for audits undertaken and concluded in 2004. The average number of calendar days needed for audits for which audit reports were issued in 2004 is presented in Figure 5.

Figure 5: The process of auditing showing the average number of calendar days per audit



Implementation of audits took 9,444 auditor-days in 2004, out of these 8,856 auditor-days were required for implementing audits and as many as 588 auditor-days for implementing pre-audits. Most of the capacities (6,588 auditor-days or 74.4 per cent of available time) were allocated to audits determined by Paragraph 4, Article 25 of the CA Act-1. Most of the time was used for the implementation of mandatory audits: for the annual financial statement of the national budget (1,719 auditor-days were used for auditing the financial statements and implementation of the state budget) and for regularity audits of the Health Insurance Institute of Slovenia (180 auditor-days) and the Pension and Disability Insurance Institute of Slovenia (190 auditor-days).

The above mentioned Article also requires that the Court of Audit must annually perform regularity audits of a relevant number of urban and other municipalities, commercial public services providers and non-commercial public services providers. In 2004 the court implemented audits of 20 municipalities, four of these were urban municipalities, 11 commercial public services providers and 11 non-commercial public services providers. For the implementation of audits of municipalities, the Court used 1,301 auditor-days or 14.7 per cent of the total time used for auditing in 2004.

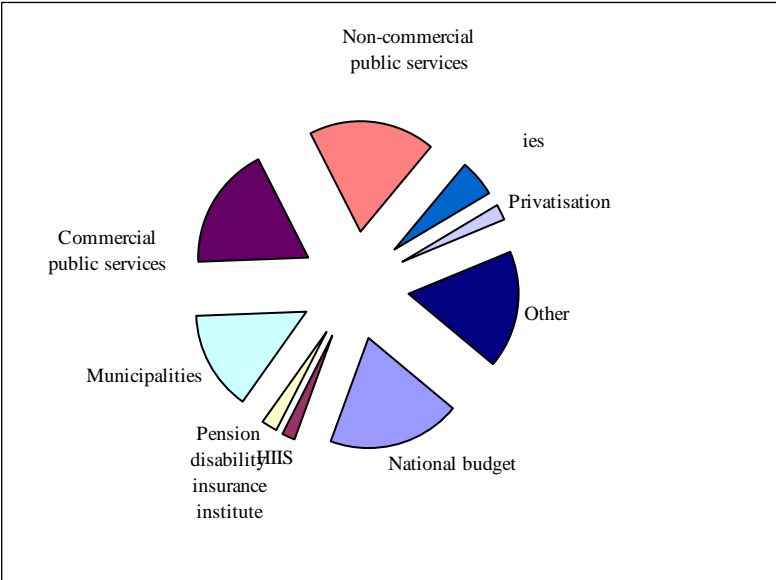
In 2004, an important part of the Court's resources were allocated to audits of commercial and non-commercial public services providers, 3,398 auditor-days in total, representing 38.4 per cent of the total time used for auditing in 2004.

Pursuant to Article 24 of the Political Parties Act, the Court of Audit each year reviews the annual reports of political parties. In 2004 the Court audited reports on thirteen election campaigns which had been organised for deputies of the Republic of Slovenia. This is prescribed by the Election Campaigns Act as a statutory duty for the Court of Audit. A total of 185 auditor-days were spent for implementation of these audits in 2004. Elections in the European Parliament and in the Slovenian National Assembly took place in 2004. It took the Court 278 auditor-days to audit reports submitted by 26 organisers of these election campaigns.

In 2004, the Court allocated 7,331 auditor-days or 82.2 per cent of its annual capacities to the tasks it had to implement in accordance with Article 25 of CA Act-1, the Political Parties Act, the Election Campaigns Act, and Article 17 of the Slovene Development Company Act (in 2003: 7,391 auditor-days or 92.9 per cent of the Court's annual capacities). Although in 2004 the Court allocated 10.1 per cent less of its

capacities than in the preceding year to audits in the above areas, one must note that this only represented 60 auditor-days less than in the preceding year. In respect to the structure of the total time available, the reduction of time allocated to mandatory audits in 2004 was a consequence of the rise of the total audit time available in 2004 if compared with 2003. The structure of audit time in 2004 by top user of public funds or group of public funds users is presented in Figure 6.

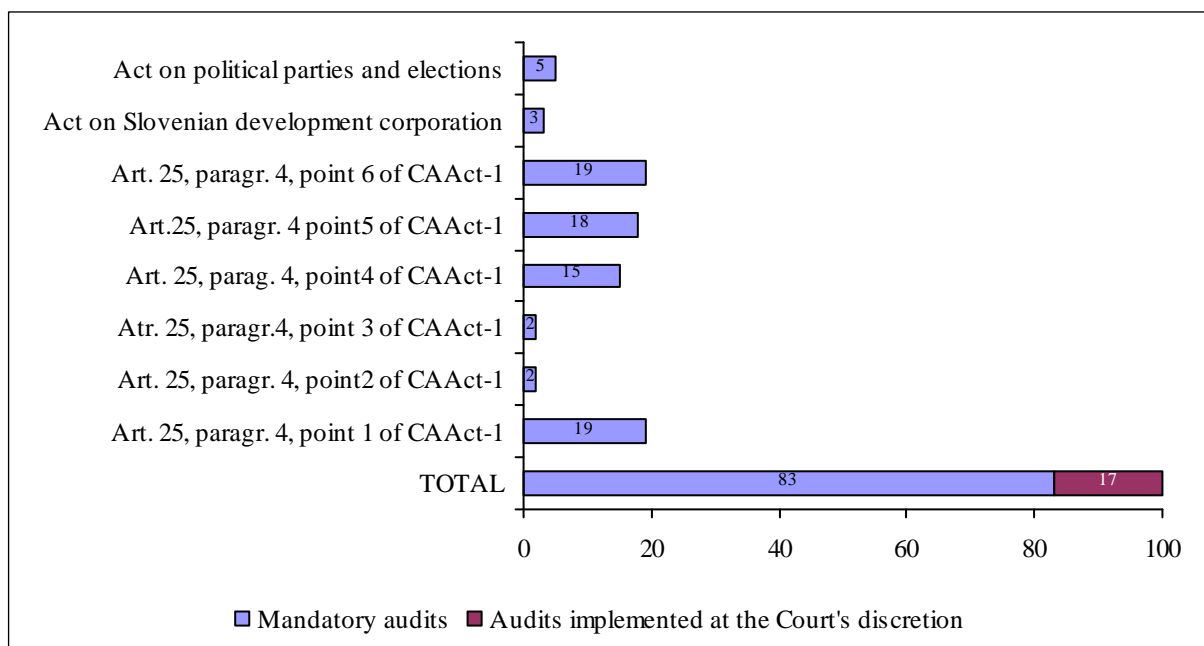
Figure 6: Structure of time required for auditing in 2004 by auditee or audit subject



According to legal bases audits can be classified into four groups, i.e., audits which must be carried out in respect to those legal entities which are defined by the Court of Audit Act or by other legislation and for which the scope of audit is also prescribed; an adequate number of audits of subjects in a prescribed area which must be carried out each year and for which the scope is also determined while the selection of auditees is at the Court of Audit's discretion. Pursuant to Paragraph 2 in Article 25 of CA Act-1, the Court must in the latter case select at least five proposals from those submitted by the National Assembly and include them in its annual programme, at its own discretion, and without limitation to audit area or scope.

Out of the total number of 72 audits completed in 2004 and which include reviews of local elections, 30 or 41.7 per cent can be defined as mandatory audits; the rest were audits where the auditee and the audit area were selected by the Court. An analysis of the time used for implementation of mandatory audits is presented in Figure 7.

Figure 7: Structure of audit time used for mandatory audits in 2004 - by legal basis



Compared with 2003, when the Court of Audit used 87 per cent of its capacities for the implementation of mandatory audits prescribed by CA Act-1 and other legislation, less time was allocated for these audits in 2004 (83 per cent).

Audits implemented at the Court's discretion, including those undertaken on external suggestions received by the Court, were mostly audits of public institutions, public funds, public utilities, specific programmes (e.g., basic development programmes) and privatisation of the state assets (e.g., Report on the Audit of the Sale of Equities of Hoteli Morje d.d., Portorož, by Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d., Ljubljana, in 2001).

## More Important Audits

### Audit of the Operations of the State

Pursuant to the Public Finance Act and the CA Act-1, the Court audited the regularity of the financial statements and budget implementation of the Republic of Slovenia also in 2004. In accordance with the audit objectives the Court audited the annual financial statement of the national budget for 2003, the regularity of budget implementation by the ministries and the entire budget implementation by the Republic of Slovenia in 2003. The regularity of the financial statement of the national budget is a responsibility of the government, the regularity of budget implementation of the Republic of Slovenia is a responsibility of the government and of the heads of relevant ministries. During this audit the Court also analysed and assessed reports on the objectives and results achieved in respect to selected sub-programmes carried out by three ministries and published the findings of its pre-audit of several balance sheets items of individual

ministries.

*In order to express an opinion on the financial statement of the national budget* the Court audited the regularity of recording and presenting the data in the balance sheet of revenues and expenses, in the financial receivables and payables account, and in the account for financing. The Court expressed a positive opinion since it did not discover any material misstatements in the audited financial statement of the national budget for 2003.

In the balance sheet of the annual financial statement of the national budget for 2003, revenues amounted to 1,392,686,779,000 tolar and expenses to 1,461,157,976,000 tolar. When compared with 2002, budget revenues increased by 18.7 per cent and budget expenses by 11.4 per cent. Tax revenues contributed a major part to the budget revenues in 2003: 1,281,820,644,000 tolar. Auditors reviewed the tax revenues on the basis of records made by the Administration for Public Payments and by offices monitoring and supervising public tax revenues. When compared with 2002, the Tax Administration partially improved the quality of the data it used in its report on the realisation of the annual plan of revenues in 2003. The Tax Administration also improved the system of its entries by significantly reducing the number of unresolved cases. As to non-tax revenues, which represented 6.95 per cent of the total budget revenues, it was not possible to wholly confirm the completeness of entries in the general ledger due to the fact that the system of entries in the general ledger of the budget was inadequate in 2003. When reviewing budget expenses, most frequently detected errors were over-valuation of expenses and under-valuation of transfers and the largest percentage of errors in classifying (1.65 per cent) was detected in the field of investment expenses.

Current expenditure was found to be too low, by 352,444,000 tolar, therefore the budget deficit should have been higher (by 0.5 per cent). In addition, irregularities amounting to 37,376,000 tolar were found in respect to reallocation of the users' rights.

Revenues and expenses in the financial receivables and payables account were significantly lower in 2003 than in 2002. Revenues on behalf of loan repayments and sales of capital shares amounted to 7,674,842,000 tolar; expenses on behalf of lending and increases of capital shares amounted to 9,310,490,000 tolar. The largest share of total revenues were purchase amounts received on behalf of privatisation from the Slovenian Development Company in liquidation. This share increased from 1.7 per cent to 62 per cent, while the percentage of the sales of capital shares decreased from 96 per cent to 8.4 per cent. The highest amount of revenue, 4,756,358,000 tolar, was received from the Slovenian Development Company in liquidation on behalf of purchase amounts, the second largest, 3,526,733,000 tolar, was received on behalf of realised state guarantees. Upon reviewing the balance of state guarantees as at 31 December 2003, it was found out that 86 per cent of receivables from realised guarantees were not reconciled and 13 per cent of receivables balances were unconfirmed. Guarantees extended to the Agency for Railway Traffic of the Republic of Slovenia in the amount of 12,200,000,000 tolar were not secured by a collateral in 2003.

In the financing account, the government's indebtedness amounted to 224,595,593,000 tolar and debt repayments to 199,477,056,000 tolar. When compared with 2002, the government debt decreased to 19 per cent while debt repayments increased by 40 per cent. Despite the reduced amount of debt the financing account shows that indebtedness was by 25,118,537,000 tolar higher than debt repayments (net indebtedness). Due to particularities provided for in the Act on Funding Basic Developmental Programmes of Defence Forces of the Republic of Slovenia for the period 1994 - 2003, indebtedness shown in the financing account for 2003 decreased by 761,463,000 tolar and by the same amount decreased also the net indebtedness but this was not assessed as irregular.

*The regularity of Slovenia's budget implementation in 2003* was examined by the Court of Audit in such a way that it audited the regularity of implementing financial plans in fourteen ministries. In order to get evidence which would support them when expressing opinions, auditors tested salaries

and other labour expenses, other current and capital expenditure and current and capital transfers. When testing the regularity of Slovenia's budget implementation in 2003, the Court discovered several examples of non-compliance with regulations.

*Salaries and other labour expenses* of entities undergoing an audit review represented 74.7 per cent of all budgetary expenses in regard to salaries and other labour expenses. In the expenses of the national budget for 2003, the share of labour expenses was 14.2 per cent. The Court of Audit estimates, on the basis of irregularities discovered at the budget users undergoing an audit review, that the sum of all the auditees' irregular labour expenses amounted to 1,646,338,000 tolar. Two irregularities were especially frequent when expenses for salaries and other labour expenses were in question: irregularities in recruitment and allocating staff to work positions, and irregularities in determining basic salaries and allowances. Among the most frequent irregularities were not respecting the job systematisation and distributing staff to posts for which they lacked adequate qualifications required by the job systematisations in individual ministries.

*Partial current and capital expenditure* of auditees represented 86 per cent of the partial current and capital expenditure of the national budget in 2003. In the total budget expenditure, the share of the partial current and capital expenditure was 21.2 per cent. The Court of Audit estimates, on the basis of irregularities discovered at the budget users undergoing an audit review, that the sum of all auditees' irregularities in this segment amounted to 3,155,406,000 tolar. Most of these irregularities occurred in the field of public procurement. Procedures prescribed for public procurement based on public tenders were not respected; cases were found in which public supply contracts were made without public invitations to tenders, the best tenderer was selected although the ministry in question did not receive at least two valid offers, ministry officers failed to apply correct procedures when making public invitations to tenders, higher amounts were broken into smaller amounts with the purpose of avoiding public tenders, irregularities were committed when publishing and applying criteria for selecting the best tenderer and in the area of public procurement of small value items. Irregularities discovered in addition to the above were: procurement of goods which had not been planned, expenditure not in accordance with the financial plan, settlement of invoices without contracts, untimely conclusion of agreements.

*Current and capital transfers* of auditees represented 99.1 per cent of all current and capital transfers of the national budget in 2003. In the total budget expenditure, the share of the current and capital transfers was 64.5 per cent. The Court of Audit estimates, on the basis of irregularities discovered at the budget users undergoing an audit review, that the sum of all auditees' irregularities in the field of current and capital transfers amounted to 2,691,903,000 tolar. Auditors found the following irregularities: deficient and inadequate bases for entering into agreements, failure to follow the regulations when allocating subsidies and other forms of help. Transfer funds were paid by ministries to recipients who did not meet the criteria set in public tenders; in invitations to tenders and relevant documentation, ministries failed to make public how the criteria would be applied; the amount of co-financing was not defined or was incorrectly defined. In addition to the above irregularities, ministries paid contract amounts without a credible financial calculation, the same service was paid twice on the basis of two different contracts, funds for internships in public institutions were paid incorrectly.

The Court of Audit examined the regularity of operations in all the fourteen ministries and formulated opinions in regard to the implementation of the budget of the Republic of Slovenia in the parts implemented by individual ministries' financial plans. The Court expressed *four positive opinions* (Ministry of Interior, Ministry of Transport, Ministry of Labour, Family and Social Affairs, and Ministry of Education, Science and Sports); it expressed *eight opinions with reservation* (Ministry of Finance, Ministry of Justice, Ministry of Economy, Ministry of Agriculture, Ministry of Environment, Ministry of Health, Ministry of Information Society, Ministry of Culture) and *two negative opinions* (Ministry of Exterior and Ministry of Defence). On the basis of its audit findings, the Court also expressed an opinion on the regularity of the implementation of the budget of the Republic of Slovenia in 2003 as a whole and, since the Court's

assessment shows that the irregular expenses amounted to 7,493,647,000 tolar, the Court expressed an *opinion with reservation*.

The Court's review included *assessment of reports on achieved objectives and results* for three selected programmes of current transfer expenditure at Ministry of Labour, Family and Social Affairs, Ministry of Education, Science and Sports, and Ministry of Culture. It was established by the Court that the ministries' reports on implementation of the selected programmes were not in compliance with the regulations and that they were neither objective nor transparent. Basic reasons for this were inadequately formulated financial plans in which objectives and expected results for each individual programme were not clearly defined; both in regard to the programme's current status and in regard to its intended impact. The ministries failed to set the criteria and indicators of achievements with expected values which would enable them to measure the achievements of each individual programme after its implementation. Since deficiencies had already occurred in the phase of planning, reporting did not focus on the programmes' results and achievements and the information provided in these reports was consequently neither adequate nor sufficient.

The Court of Audit also presented in its audit report findings from its *pre-audit review of balance sheet items of ministries in 2003*. It was established that in 2003 ministries did not fully comply with all the regulative provisions and did not have in place adequate records which would ensure that the data about the assets of the state was complete and accurate.

## Audit of the Health Insurance Institute of Slovenia

In 2004, the Court of Audit implemented a regularity audit of the Health Insurance Institute of Slovenia in 2003; this review included an audit of the Institute's financial statements (balance sheet as at 31 December 2003, statement of revenues and expenditure, statement of receivables and investments, and statement of the financing account for the period from 1 January to 31 December 2003) and an audit of compliance of the Institute's operations with the regulations, especially in regard to salaries and other labour expenses, invitations to public tenders, and current transfers.

The Court of Audit expressed an unqualified (positive) opinion in regard to the financial statements of the Institute in 2003 and in regard to the regularity of its operations in 2003.

## Audit of the Pension and Disability Insurance Institute of Slovenia

In 2004 the Court of Audit carried out a regularity audit of the Pension and Disability Insurance Institute of Slovenia in 2003; the audit covered the Institute's financial statements (balance sheet as at 31 December 2003, statement of revenues and expenditure, statement of receivables and investments, and statement of the financing account for the period from 1 January to 31 December 2003) and an audit of compliance of the Institute's operations with the regulations, especially in regard to salaries and other incomes of employees, expenses for goods and services (through invitations to public tenders) and transfers, as well as purchases of fixed assets (through invitations to public tenders).

The Court of Audit expressed an unqualified (positive) opinion on the financial statements for 2003. In a special paragraph, however, the Court made notice of the following issues:

- increases in the capital of the Pension and Disability Insurance Real Estate Fund Ltd., Ljubljana - Nepremičninski sklad pokojninskega in invalidskega zavarovanja d.o.o., Ljubljana (hereinafter PDI Real Estate Fund): the Institute's initial shareholding in the Fund increased from 2,187,000 tolar to 18,491,303,000 tolar at the end of 2001, and to 18,782,592,000 tolar at the end of 2002. The amount remained at the same level at the



end of 2003 but was due to unclear regulations and undetermined ownership relations not recorded and presented under the Institute's long-term financial assets in 2003;

- as at 31 December 2003, the Institute's borrowings from banks and from the national budget amounted to 21,176,000,000 tolar; however, pursuant to Articles 233 and 244 of the Pension and Disability Insurance Act, the funds for covering the loss in 1999 and 2000 should have been provided by the state, from the national budget or from other resources.

The Institute's capital investment in PDI Real Estate Fund is presented as amounting to 2,187,000 tolar. This amount consists of a re-valued initial capital investment amounting to 1,500,000 tolar, paid-in by the Institute in 1996 when it founded Stanovanjski sklad pokojninskega in invalidskega zavarovanja (the Pension and Disability Insurance Housing Fund - predecessor of today's PDI Real Estate Fund). The Institute, i.e. the founder, should have presented the capital increases in its financial statements and adjust the amount to the amount presented by PDI Real Estate Fund. Namely, the Fund's share capital consists mainly of the value of flats and of amounts received for the flats which had been sold pursuant to the Housing Act; in the past, these flats were purchased with the assets collected on behalf of pensions and disability insurance contributions, and the Institute would have been fully entitled to present this capital amount among its assets, had not the founding rights been transferred to the state when operations of the PDI Real Estate Fund and of the Institute were separated.

The position adopted by the Court of Audit in its audit of the PDIIS financial statements and regularity of operations in 2002 was that the Institute would be able to ensure accurate recording and presentation of its long-term financial assets and of the general fund, as regards PDI Real Estate Fund, only when the unclear issues are clarified and the ownership of the Fund is clearly defined.

The Institute submitted to the Government of the Republic of Slovenia and to the Ministry of Labour, Family and Social Affairs an initiative to define the legal status of PDI Real Estate Fund on 15 April 2003. At the end of 2003, the National Assembly adopted ZPIZ-1E, the Act Amending the Pension and Disability Insurance Act, which in Article 14 provides that the Institute is the only founder and shareholder of PDI Real Estate Fund. Since this Act took effect on 1 January 2004, the issues regarding the Fund's ownership are therefore no longer unclear. Nevertheless, the issue in respect to the managing rights of the Institute over the Fund has remained unclear since the managing rights are still in the hands of the government.

The Court's opinion was that the operations of the Institute in 2003 had been in all important respects compliant with the regulations, with a few exceptions detected in invitations to public tenders (opinion with reservation). In a few cases (physical protection services, receptionist services, purchases of various materials, network printers and notebooks) it was established that the Institute had ordered without a prior invitation to a public tender and not in accordance with its Rules on ordering small value items.

## Audit of Business Operations of Municipalities

Supervising municipal budgets is one of the most important tasks of external supervision over public spending implemented by the Court of Audit. When auditing municipalities, the same auditing methods, techniques and measures for evaluating the findings are applied by the Court as when auditing the national budget. These audits have two objectives: formulating an opinion on a municipality's *annual financial statement of the budget* in the year under audit and formulating an opinion on *the regularity of operations* of a municipality in the year under audit. When implementing audits of the so called 'small municipalities', i.e. municipalities with a budget of below 1,500,000,000 tolar, the Court has only one objective: formulating an opinion on the regularity of operations in the year under audit.

In its audit reports on municipalities, in the chapter on municipal borrowing activities, the Court especially stressed that municipal borrowing (raising commodity credits) is not properly regulated and that it is *not limited*.

In the following paragraphs, the most important or the most frequent errors and irregularities are presented from ten reports on audits implemented in nine municipalities and issued in 2004. Two of these reports deal with the operations of the Municipality of Koper, since an audit reviewing a part of operations of the Municipality of Koper in 1998, 1999, 2000 and 2001, concerning refunds to employees for their meals, had been implemented on the basis of the findings of the regularity audit for 2002 and 2003.

#### *Audits of the annual financial statements of municipal budgets*

The annual financial statement of the budget for 2002 was audited in four municipalities (Murska Sobota, Koper, Maribor and Slovenske Konjice), while the annual financial statement of the budget for 2003 was audited in one municipality (Ljubljana). The Court of Audit issued four positive opinions (to the Municipalities of Murska Sobota, Koper, Maribor and Slovenske Konjice) and one opinion with reservation (to the Municipality of Ljubljana).

When auditing balances of revenues and expenses, statements of financial receivables and investments, and statements of the financing account, the Court of Audit found the following errors:

- in one case the disclosed revenues and expenses were too low because the municipality in question did not record the full value of business events (off-balance-sheet netting); in addition, some of the expenses were incorrectly ranked but this did not have an effect on the total amount of disclosed expenses (the Municipality of Ljubljana).

When auditing data in balance sheets the Court of Audit found cases of incomplete recording. Three municipalities were warned:

- the Municipality of Ljubljana did not reconcile its balance of assets and liabilities with the actual balance determined during the inventory listing. In addition, tangible fixed assets and receivables from managed funds were overstated while short-term receivables, receivables from long-term investments and short-term liabilities were understated.
- the Municipality of Maribor did not disclose its long-term liabilities to a public institution in its balance sheet while it understated some contingencies in its off-balance-sheet.
- the Municipality of Koper did not reconcile its balance of assets and liabilities with the actual balance determined during the inventory listing. In addition, receivables from the use of land tax and unpaid revenues were understated.

#### *Regularity audits*

The regularity of operations in 2002 was audited in seven municipalities (Murska Sobota, Mengeš, Mislinja, Starše, Koper, Maribor and Slovenske Konjice). The regularity audit of the Municipality of Koper also included the period from January to September 2003. The regularity of operations in 2003 was audited in two municipalities (Ljubljana and Šoštanj). The Court of Audit issued three opinions with reservation (to Murska Sobota, Mislinja and Šoštanj) and six negative opinions (to Mengeš, Starše, Koper, Maribor, Slovenske Konjice and Ljubljana). After implementing a regularity audit in the Municipality of Koper which focused on refunds to employees for meals in 1998, 1999, 2000 and 2001, the Court of Audit issued a negative opinion.

The following irregularities were found by the Court of Audit when implementing regularity audits:

#### *Excess of liabilities and redistribution of budgetary funds*

The Court of Audit found that the Municipality of Maribor incurred higher liabilities than provided

for in its budget and that the Municipality of Koper paid out a higher amount than allowed by its budget. Payments without adequate grounds in their budgets were carried out by the Municipality of Maribor and the Municipality of Ljubljana. Budgetary funds were incorrectly redistributed by the Municipalities of Mengeš and Starše. In addition to the above, during the Court's audit of the Municipality of Ljubljana, cases of premature payments, overpayments, disrespect of deadlines for payment, and failure to distribute budgetary provisions to budgetary items before effecting payment were discovered.

#### *Acquisition of budgetary funds*

- upon the sale of land, one of the municipalities did not require that the buyer pay a revalued amount and interest for delay in payment. Furthermore, it rented out business premises incorrectly: through a direct agreement (the Municipality of Koper).
- another municipality sold its assets without obtaining a prior consent from its Council and additionally charged one 'greenpeace tolar' for water without an adequate legal basis (the Municipality of Maribor).
- one of the municipalities acquired funds from the national budget for works which had not been implemented and sold land without an invitation to public tender (the Municipality of Slovenske Konjice).

#### *Employment, salaries and other expenses*

- Employees not meeting all the conditions were allocated to work posts (education and work experience were not in accordance with the act on job systematisation) in the Municipality of Koper and the Municipality of Ljubljana.
- Two cases were found in which the municipality in question incorrectly determined the basic salary quotient and five cases in which it incorrectly determined the refund for more difficult conditions at work (the Municipality of Murska Sobota).
- One of the municipalities paid a management bonus which was not justified (the Municipality of Mengeš).
- Refunds paid to employees for their meals were too high in the period from January 1998 to September 2003 (the Municipality of Koper).

#### *Public procurement*

The Court of Audit found that six municipalities did not follow the regulations concerning awards of public contracts or annexes to public contracts (Mengeš, Starše, Koper, Maribor, Slovenske Konjice and Ljubljana). When public contracts of small value items were in question, six municipalities failed to act in accordance with their internal rules (Mengeš, Mislinja, Starše, Murska Sobota, Slovenske Konjice and Ljubljana).

#### *Transfers*

Current transfers were found to be implemented without invitations to public tenders in the fields of culture, sports and agriculture, or were implemented solely on the basis of received application letters (the municipalities of Murska Sobota, Mengeš, Slovenske Konjice and Šoštanj). The Court of Audit also found out that one municipality incorrectly allocated funds to local communities (the Municipality of Koper).

#### *Borrowing activities and extending guarantees*

The Court of Audit notes that the municipal resources gained through borrowing funds (credit raised at banks) reached the legally determined ceiling of 10 per cent of annual revenues. A part of this credit was raised for the purposes for which the annual repayment ceiling is set at only 3 per cent of annual revenues, but the limit to the total indebtedness is not defined. During the audits the Court did not discover any irregularities, however it indicated that *municipal raising of commodity credits is not properly regulated and that it is not limited.*

### *Municipalities as founders of public utilities*

When auditing the Municipality of Ljubljana, the Court of Audit found that the situation in regard to the ownership of the city public utilities and the Holding Ljubljana did not change. The Court of Audit established in previous years that the Municipality of Ljubljana had transferred the founder's rights it had in its public utilities to the Holding, and that this was in conflict with the Public Commercial Companies Act; namely, the Decision on Establishing a Holding of the City Public Utilities from 1994 is in conflict with Article 13 of the Public Commercial Companies Act. Since the situation did not change, the Court's findings remain in force. Furthermore, the situation did not change in regard to the Court's findings on the unclear segregation of authority between the Municipality of Ljubljana and the Holding in respect to technical, organisational and development tasks concerning the commercial public companies and in respect to inadequate supervision over their borrowing activities. Two public utilities raised credits without a guarantee issued by the Holding, in the total amount of 1,451,054,000 tolar. The only positive move noted by the Court in respect to the owner's supervision of the public utilities' business operations were the activities undertaken by the City Council.

Table 10: Summary of formulated opinions and post-audit measures

	<b>Municipality</b>	<b>Annual financial statement</b>	<b>Regularity of operations</b>	<b>Response report</b>
1	MO Murska Sobota	Positive opinion	Opinion with reservation	not required
2	Mengeš	-	Negative opinion	not required
3	Mislinja	-	Opinion with reservation	not required
4	Starše	-	Negative opinion	not required
5	MO Koper	Positive opinion	Negative opinion	not required
6	Koper – employee bonuses 98-01	-	Negative opinion	90 days
7	MO Maribor	Positive opinion	Negative opinion	90 days
8	Slovenske Konjice		Negative opinion	not required
9	MO Ljubljana	Opinion with reservation	Negative opinion	90 days
10	Šoštanj	-	Opinion with reservation	not required

# Audits of the Regularity of Operations of Commercial Public Services Providers

## Audits of Public Water Supply Utilities

The Court of Audit commenced implementation of horizontal audit reviews of the public water supply utilities in 2003. It issued regularity audit reports on three public water supply utilities in 2003 and in 2004 it issued further three reports on public water supply utilities: on the regularity audit in Mariborski vodovod d.d. in 2001 and 2002, on the regularity audit in Vodovodi in kanalizacija Nova Gorica d.d. in 2001 and 2002, and on the regularity and performance audit in Vodovod-kanalizacija d.o.o. Ljubljana in 2001 and 2002.

These regularity audits (of compliance with the regulations) comprised assessments of:

- planning and reporting on business operations,
- investing in water supply network and its financing,
- accounting for and distributing communal charges,
- drinking water supply revenues and expenses
- pricing - own prices and sales prices of drinking water supply.

Negative opinions were formulated for all the three regularity audits in audit reports issued in 2004. The main findings were the following:

- The public water supply utility Mariborski vodovod, d. d. paid to the Municipality of Maribor the funds collected as the 'greenpeace tolar'. These costs incurred by the utility were found to be unjustifiable and too high. In some cases the utility made awards of public contracts which were in conflict with the instructions for public procurement of small value items. In one case, the additional scope of works was planned in an annex to the public contract which exceeded the amount in the main contract by 25 per cent.
- The public water supply and sewage utility Nova Gorica, d.d. failed to fully comply with the provisions in the Public Procurement Act since it also made awards of public contracts in accordance with the procedures set for public procurement of small value items when a public tender was required. This public utility carried out the works as a sub-contractor and later on made a contract with the chosen bidder in which the value of the works was set higher than in the original offer submitted by the bidder. The Court of Audit also suspects the sums on certain invoices to be fictional, in order to acquire funds from the budget of the Municipality of Nova Gorica. Furthermore, irregularities were detected in collecting connection charges (charges related to water consumption meters) since it was established that users were charged who did not have water meters installed and that in the Municipality of Brda funds to cover losses from water supply activities were acquired via connection charges.
- The public water supply and sewage utility Vodovod - Kanalizacija, d. o. o., Ljubljana did not comply with the Public Procurement Act either, since its invitations to public tenders were carried out only after the works had already been accomplished, or the utility started the public procurement procedure before all the conditions were met, as was the case of the central waste water treatment plant construction - the investment schedule was not revised and was not in accordance with the prescribed methodology for public procurement investment schedules, neither was the said investment schedule discussed and adopted by the Ljubljana Municipal Council. Contributions charged at disposal of waste for burdening of the environment were used to advance the financing of the construction of the second phase of the waste water treatment plant, which was in conflict with the contract the municipality had signed with the constructor. Furthermore, construction works for several parts of the plant were carried out prior to acquiring the construction rights. The Court of Audit also established that depreciation generated from the communal waste waters and rainfalls discharge activities was used for investment in water systems.

## Audit of Business Operations of Kobilarna Lipica

The audit's objective was to formulate an opinion on the regularity and performance of business operations of the Kobilarna Lipica (Lipica Stud Farm) from the years 2001 to 2003. The compliance with the Kobilarna Lipica Act (hereinafter the KL Act) was examined in detail, especially its compliance with the provisions regulating the care for the pedigree herd, payment of the collected parking fees to the Municipality of Sežana, and the stud farm's movable and immovable assets. Auditors also examined the use of budgetary funds, public procurement procedures, and payment of salaries. To express an opinion on the performance of operations, auditors assessed effectiveness of the planned number of animals in the core herd, whether the quality of the hotel capacities and the achieved number of hotel guests were in accordance with the plan, how effective were revenues from visits to Kobilarna and guided tours, and how effective were revenues from the sale of hotel services and drinks. Auditors also assessed the economy of labour and depreciation costs.

It was established during the audit that in several cases Kobilarna Lipica acted in conflict with the regulations and with the guidelines for operating, therefore the Court of Audit expressed a negative opinion on the compliance of its business operations with the regulations. Important irregularities, presented in the audit report were:

- Kobilarna Lipica failed to adjust the number of horses in individual lines since it did not define the number of horses in the riding school and in the herd for tourists as stipulated in the KL Act;
- by not paying parking fees amounting to 11 million tolar to the Municipality of Sežana, the stud farm violated a provision in KL Act;
- it did not acquire the Slovene Government's consent prior to concluding agreements on rentals and on selling horses, as required by the KL Act.
- it failed to take the necessary steps which would make implementation of six projects possible - the projects in question would provide it with the funding from concessions for 2002, amounting to 29 million tolar;
- Kobilarna's surplus in 2001 and 2002 was spent on unplanned rehabilitation of the losses incurred by its Catering and Tourism organisational unit in the total amount of 107 million tolar. This was a violation of the KL Act since the activities of catering and tourism do not belong to the public services which may be financed from the national budget;
- public contracts for purchase of goods and services, amounting to 578 million tolar, were awarded without invitations to public tenders; Kobilarna did not publicly announce, in the Official Gazette of the Republic of Slovenia, awards for public contracts amounting to 22 million tolar, which was in conflict with the Public Procurement Act;
- in the period from June 2002 to May 2003, a gross amount of 9 million tolar was paid to the acting managing director as his salary, without issuing a decree defining the quotient of his basic salary. This was in contradiction with the Regulation on the criteria for defining basic salary quotients for managing directors in public institutions.

The Court of Audit's performance audit review established that Kobilarna Lipica did not manage the public funds in accordance with performance principles in the following cases:

- Since Kobilarna Lipica has no procedures in place for annual planning and reporting on achieved results, its objectives were not clearly defined in its annual programmes for the years under audit. The objectives set in the field of investments, level of hotel capacities, and overnight stays were not achieved.
- In view of generating revenues, operations of the unit for marketing and sales were not very efficient; this means that the principle of economy was not met since it would be possible to acquire additional 11 million tolar for the same scope and quality of marketing activities. The

results of Hotel Klub were not satisfactory, as in the period 2001 to 2003 the hotel accommodation rate was 17 per cent. The Court of Audit was of opinion that the main reason for ineffective use of the hotel capacities was failure to adopt proper decisions about the Hotel Klub. Operations were also less efficient in the field of drinks, namely, the difference (margin) between the revenues from the sales of drinks and between their purchase cost decreased from 5.07 to 4.32.

- Kobilarna Lipica did not have an adequate control over labour costs and did not act in line with the policies designed in its annual programmes. Labour costs were above the plan by 180 million tolar . Labour resources were additionally wasted by Kobilarna as unjustified holiday leaves were approved to its employees, which generated about 2 million tolar of unnecessary labour costs in 2003.
- Kobilarna Lipica has no measures in place to determine the value of its stallions and mares, i.e., the depreciation basis, so that the growth in value would reflect the herd's real situation. The increment in value for 2000 is questionable, i.e., unrealistic, due to the low quality of the colts when compared with the preceding years. The profit and loss account as presented by Kobilarna for 2003 was inaccurate because no investments in intangible long-term assets were disclosed as made and therefore no depreciation on these was calculated, so that the disclosed operating costs were too low by 6.4 million tolar.
- Kobilarna Lipica did not respond to the Decision on the land tax for 2001 in which the land tax was 16 times higher than in the preceding year. A result of this was that the operating costs were too high by at least 15 million tolar and that public funds were spent uneconomically.
- Despite the fact that the first acts of the Informatics sub-project were implemented as early as December 1999, the sub-project was still not concluded by the end of June 2004: after four and a half years. The agreed funds were / will be exceeded by 7.7 million tolar or 51 per cent. The Court is of opinion that the result of such project management is spending public funds uneconomically.

#### Audit of the Regularity and Expedience of Business Operations of the Public Utility - Company for Maintenance of Motorways and Expressways Ltd.

The auditors' objective was to formulate an opinion on the regularity and performance audits of the public utility Company for Maintenance of Motorways and Expressways Ltd. (Podjetje za vzdrževanje avtocest, d. o. o., hereinafter CMM) in 2001 and 2002, with special emphasis on 2002. The audit focused above all on accounting records of business operations, on costs of carrying out public services and on implementation of maintenance works.

It was established during the audit that CMM operated in accordance with the regulations and internal acts, except in regard to public procurement procedures which did not comply with the Public Procurement Act (CMM made it possible for suppliers to deliver higher quantities of goods than agreed in the contracts, it concluded long-term insurance agreements without invitations to public tenders, quantities of goods or services in the contracts were in contradiction with the tender's documentation and did not comply with the conditions set by the bidders). Furthermore, decisions were made about work clothing which conflicted with the rules on work clothing for collectors of toll charges and for workers maintaining the roads in the Republic of Slovenia, financial records of costs for every vehicle were not kept in line with the rules on the use of company vehicles, the consumption of fuel was not recorded in business books, on the basis of credible bookkeeping documents, and, since there was no control over the consumption of fuel, it was not possible to exclude occurrence of irregularities as regards the consumption of fuel.

When assessing the performance and expedience of business operations, the Court of Audit was of the opinion that CMM could have managed the public funds in a more expedient way since cases of uneconomical purchases, spending and stocks of means for regular maintenance of motorways and expressways were detected. CMM did not pay adequate attention to proper planning of purchases, to monitoring the consumption and to managing its stocks of materials, especially those

required for providing the winter season services and for maintaining motorways and expressways. CMM adopted business decisions which caused excessive operating costs because insurance contracts were also made in favour of employees in cases not directly linked with work accidents and occupational diseases.

In view of the fact that the irregularities and uneconomical operations were not material, the Court of Audit issued opinions with reservation for both, the regularity and performance of operations of CMM in 2001 and 2002.

## Audits of Operations of Non-commercial Public Services Providers

### Audit of the Regularity and Efficiency of Medical Supplies and Expendables in Hospitals

In 2004 the Court of Audit concluded a horizontal audit of public procurement of medical supplies and expendables in general hospitals in 2002. The horizontal audit's objectives were: to define the situation in the field of public procurement in hospitals in the period under audit, to indicate the most frequent irregularities, to present efficient solutions and good practices which are being applied in individual areas, and to formulate recommendations which would initiate appropriate amending measures.

The audit included general hospitals in Maribor, Celje, Novo mesto and Jesenice; in line with a uniform procedure, independent audits of these institutions were implemented; the audits' objective was to formulate an opinion on the regularity and efficiency of procurement of medical supplies and expendables.

The Court of Audit assessed that in 2002 on the average 75 per cent of the total value of publicly ordered medical supplies and expendables in the hospitals under audit importantly conflicted with the applicable law stipulating public procurement. This is the reason why the Court issued to the audited hospitals a *negative (an adverse) opinion* on the regularity of these operations.

The most frequent irregularities committed during public procurement of medical supplies and expendables were the following:

- the buyer did not apply an adequate procedure of selecting the best bidder: in 2002 only one of the audited hospitals implemented this procedure for most of the medical supplies it purchased; such irregularities were detected also at 46.8 per cent of the assessed purchases of medical expendables;
- 13 per cent of the assessed public contracts for the purchase of medical expendables were irregular;
- 4.5 of assessed deliveries of medical expendables were not in accordance with the contracts.

*Efficiency of public procurement* was defined by the Court of Audit as representing a ratio between the investment and its effect in the period under audit. This was assessed in view of achieving the basic purpose of an individual activity within the purchasing system that consists of working processes of defining the needs, selecting the suppliers, and managing the contracts.

The Court established the following deficiencies which had a significant effect on the performance of the hospitals in regard to their purchases of medical supplies and expendables:

- the hospitals in question did not establish procedures for identifying their purchasing needs and consequently failed to identify these needs systematically,
- three of the hospitals did not adhere to the procedure of selecting the best medical supplier,



did not plan their purchases at regular time intervals, and did not join several purchases in one order,

- none of the audited hospitals had set standards for individual sorts of medical materials,
- the decisions taken by some of the hospitals - to select the bidder according to the lowest price offered for the entire package of expendables - was inefficient,
- the decisions taken by some of the hospitals - to check the adequacy of the offered materials only during the second phase of the public tender - was inefficient since the procedures were long, and the planned deadlines for procurement delayed,
- the hospitals paid too little attention to what public procurement procedure they should select,
- concluded contracts did not always provide a good basis for placing efficient orders; controls over implementation of the contracts were inadequate; tasks and responsibilities of individual participants in the entire process of selecting the supplier were not clearly defined.

The Court of Audit therefore *recommended* to the hospitals to:

1. detail in their internal acts the tasks and responsibilities of individuals involved in the process of selecting suppliers, to provide a professional basis for assessing whether purchases are justifiable, and by doing so to decrease the subjective factor at purchases,
2. define again which medical supplies and expendables are actually being used in the hospital and compose a list of articles to be purchased through public tenders, and to make adjustments to the list every year,
3. pay more attention to the interdependence between the ordered object and the chosen procedure of selecting,
4. introduce adequate software in order to automate the purchasing process on the basis of the implemented public contract, establish the necessary control mechanisms and ensure an adequate basis for planning the purchases,
5. monitor the implementation of contracts and produce reports in writing, with recommendations or suggestions for potential changes and amendments.

Most of the irregularities and inefficiencies detected in the field of public procurement of medical supplies and expendables were often a consequence of deficiencies of the system, therefore the Court of Audit is of the opinion that the Ministry of Health should strengthen its role in this area by setting uniform standards and professional criteria for assessing the quality and other required characteristics of medical supplies and expendables.

## Audits of Galleries and Museums

In 2004 the Court of Audit completed two audits of financial statements and of the regularity of operations of galleries and museums in 2002, i.e. of the National Gallery Ljubljana and of the Slovenian Natural History Museum. The audit's objectives were in both cases examinations of recording and disclosing the data in the balance sheet as at 31 December 2002, in the revenues and expenses account for 2002 and the compliance of operations with the regulations providing for salaries and other labour expenses, costs of services, materials and other expenditure resulting from public procurement in 2002.

*The National Gallery Ljubljana* was issued a negative opinion by the Court of Audit, for the financial statements and for the regularity of its operations in 2002.

Several irregularities were found during the audit of financial statements:

- it was not possible to establish which works of art constitute the art fund kept in the bookkeeping documents; the inventory-listing committee did not compare the actual balance with the bookkeeping balance; there was no connection between the inventory-listing book and the statement of the art fund's value in the balance sheet;
- in the statement of revenues and expenses, revenues were undervalued by 24.322,000 tolar and expenses were undervalued by the same amount;
- revenues and expenses by activity were not presented in accordance with the regulations that, in the case when public funds are used for public services, provide that monitoring of operations and disclosing the result of operations should be presented separately for the public funds and for the funds acquired through the sale of goods and services in the market.

The Court of Audit noted in a special paragraph that the value of the stocks of merchandises (catalogues, publications and similar) in the balance sheet as at 31 December 2002 were disclosed on the basis of estimated purchase value in the preceding years when this value was presented as a current expense. In the statement of revenues and expenditure for 2002 the estimated purchase value of stocks is presented as a re-evaluatory revenue and as a reduced operating expense. The amount disclosed as a reduced expense does not entirely refer to the purchase value of stocks in 2002. A result of this way of recording is a surplus of revenues over expenses in 2002. If such recording had not been applied, the statement of revenues and expenses of the Gallery would have disclosed a surplus of expenses over revenues in 2002.

There were several cases in 2002 when the National Gallery did not operate in compliance with the regulations:

- there were several cases when the Gallery awarded public contracts without invitations to public tenders or in contradiction with the provisions in the Public Procurement Act which stipulate the public procurement of small value items;
- the Gallery concluded several work contracts which did not comply with the Employment Act and made payments on the basis of these contracts;
- the Gallery paid the voluntary health insurance and the collective accident insurance for its employees without having adequate bases in its collective agreement or in the collective agreement for the cultural domain;
- the Gallery settled a number of invoices of student services on the basis of incomplete bookkeeping documents.

## Audits of Health Centres

In 2004 the Court of Audit completed audits of financial statements and regularity of operations in 2002 in three health centres: in Litija, Medvode and Domžale.

The Court of Audit issued unqualified (positive) opinions to all the three health centres in regard to their financial statements for 2002. However, since the regularity audits revealed important irregularities committed by all the three institutions in 2002, the Court of Audit issued negative opinions in regard to the regularity of their operations. The following irregularities were discovered:

*Health Centre Litija* committed the following irregularities in 2002:

- salaries paid to employees for holiday leaves and public holidays, for being on-duty and for house visits to patients did not comply with the stipulations in the collective agreement;

- two cases were found in which the Centre accepted an increase in the prices of the suppliers after the contracts had been signed, which was in contradiction with the Public Procurement Act and with the Centre's internal rules providing for public procurement of small value items;
- the Centre made a public contract which did not comply with the Public Procurement Act and with its internal rules on public procurement of small value items.

*Health Centre Medvode* committed the following irregularities in 2002:

- there were several cases of acting in contradiction with the stipulations in the Public Procurement Act as the Centre awarded a public contract without an invitation to public tender, did not adhere to a condition set in its invitation to public tender (the lowest price of the bid and other advantages important for the buyer) but split the public contract by accepting two offers;
- there were several cases of acting in contradiction with the stipulations in its internal rules on public procurement of small value items.

*Health Centre Domžale* committed the following irregularities in 2002:

- it paid a higher amount to employees for their performance at work without acquiring the consent of all the owners, which is in contradiction with the provisions in the Act on Salaries in Public Institutions, Government Offices and Local Communities; the Centre therefore did not have bases to increase the amount paid to employees for their performance;
- the amount paid to the director for his performance at work was calculated on an inaccurate basis, to the effect that this part of the salary did not comply with the decision of the Centre's Council and was too high in 2002;
- allowances and benefits were not calculated in accordance with the Employment Act, with the Act on Salaries in Public Institutions, Government Offices and Local Communities, and with the collective agreements. The bases for calculation of allowances and benefits were inaccurate, they were allocated incorrectly, calculated incorrectly, and paid out although there existed no basis for such payments in the applicable regulations;
- the annual award to the director was paid without acquiring the consent of all the owners and despite the fact that all the required criteria had not been met, which was in contradiction with the provisions in the Decision on the Criteria for the Annual Award to Directors of Public Institutions for their Performance;
- when selecting suppliers of goods and materials and providers of services, the Centre did not adhere to the applicable law regulating public procurement but it purchased on the basis of inadequate public procurement procedures, applied criteria which were not in compliance with the documentation in its public tenders, and awarded public contracts without implementing prior procedures as prescribed by the law and by its internal act on public procurement of small value items.

## Other audits

### ISPA Pre-accession Programme Project Regularity Audit in 2002

The European Union offered support, through pre-accession assistance programmes (ISPA<sup>1</sup> and SAPARD<sup>2</sup>), to applicant States in preparation for accession to the European Union. Pre-accession assistance to applicant States is conducted according to the European Union rules for programmes of assistance to third countries. Assistance is planned on the basis of Accession Partnership priorities. This key pre-accession strategy document, which was unilaterally adopted by the European Commission, identifies short-term and medium-term priority areas in which Slovenia must urgently make progress in order to be prepared for accession to the European Union in timely fashion. Another key strategic document for requirement planning is the National Programme for the Adoption of the Acquis by the end of 2002. ISPA (Instrument for Structural Policies for Pre-accession) programme is a structural instrument whose establishment was proposed by the European Commission in Agenda 2000. It was established in June, 1999 in the Council Regulation No. 1267/1999, for assistance in the period from 2000-2006.

The Court of Audit audited projects of the ISPA pre-accession programme for year 2002. The audit was conducted at the Ministry of Transport, Ministry of Environment, Spatial Planning and Energy, Ministry of Finance and Government Office for European Affairs. The objective of the audit was to form an opinion on the regularity of ISPA project implementation in the transport and municipal infrastructure sector in year 2002.

After the above-mentioned revision, the Court of Audit issued three separate opinions on the regularity of ISPA programme project implementation, namely, positive opinions to the Ministry of Transport and the Ministry of Finance, and an opinion with reservation to the Ministry of Environment, Spatial Planning and Energy.

The Court of Audit issued an opinion with reservation to the Ministry of Environment, Spatial Planning and Energy because, in year 2002, it did not, in some cases, comply with the rules and policies in the implementation of ISPA projects, namely:

- In project implementation, the Ministry of Environment, Spatial Planning and Energy concluded an agreement with the municipality of Slovenj Gradec on co-financing of sewage system and central waste water treatment plant construction, with the investment completion deadline exceeding the validity of the concluded Financing Memorandum,
- For maintenance services of information support system for preparation, follow-up and management of environmental municipal infrastructure investment projects, the Ministry settled its obligations to the contractor, the Faculty of Civil Engineering and Geodesy, in contravention of the concluded agreement.

In its report on the above-mentioned audit, the Court of Audit called the Ministry of Transport and the Ministry of Environment, Spatial Planning and Energy's attention to the fact that, in their financing plans, when stating assets in ISPA private funding budget lines, they did not distinguish between private funding assets for ISPA projects, and private funding for the co-financing of other projects, which makes for insufficient transparency and prevents monitoring of assets by individually concluded Financing Memoranda. The said deficiency did not impact the issued opinion.

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<sup>1</sup> ISPA – Instrument for Structural Policies for Preaccession –.

<sup>2</sup> SAPARD - Special Accession Programme for Agriculture and Rural Development –

## State Property Privatisation Audits

The Court of Audit conducted four state property privatisation audits in 2004, in which it examined the reality and accuracy of data stated in sales or share exchange reports, regularity of sales or share exchange procedures, and sales or exchange performance. The entities audited were the Investment Company for Pension and Disability Insurance d.d. Ljubljana (hereinafter: KAD) and Slovene Compensation Corporation, d.d., Ljubljana (hereinafter: SOD), which sold, i.e. exchanged, shares of Hoteli Morje d.d., Portorož and Hoteli Palace d.d., Portorož, and sold shares of Viator & Vektor, d.d., Ljubljana in 2001.

In all four cases, the Court of Audit issued a positive opinion on regularity of sales procedures, and the sales and exchange of shares were evaluated as being successful. A response report was not required; however, the Court of Audit drew the auditees' attention to the following deficiencies:

- In the course of sales of Hoteli Morje's, Hoteli Palace's and Viator & Vektor's shares, KAD did not entirely comply with all the guidelines of the business plan for 2001 as regards to KAD internal organisation, and it did not supply appropriate documentary evidence for all stages of the sales procedure, which consequently led to insufficient traceability;
- In the course of sales of Hoteli Morje's, Hoteli Palace's and Viator & Vektor's sales, SOD did not comply with the good practice, as it did not supply appropriate documentary evidence for all stages of the sales procedure, which consequently led to insufficient traceability.

The Court of Audit made the following recommendations for the remedying of the found deficiencies at sales of assets:

- For improved transparency, traceability and documentary evidencing of financial asset sales and exchange procedures, KAD should in the future ensure that the participants make up-to-date official notes of oral agreements and negotiations, as well as of specific transactions of which there are no other written records;
- KAD administration, investment committees, analytic sections and other specialist services partaking in the sales procedure should always submit their decisions, recommendations and proposals in written form and accompanied with appropriate explanatory notes;
- KAD should ensure obligatory use of sales procedure management guidelines and define in its acts the violation of omission in obligatory practice;
- SOD should amend the Regulation on capital asset sales and prescribe obligatory compliance with the Regulation, and define consequences of violations thereof; amendments should primarily relate to the form of notifications to suppliers when the sales are direct, definition of sales methods for capital assets in which SOD has minority shares in sales proposals, notes on negotiations with potential suppliers and sales conclusion procedures (monitoring of the implementation of agreement provisions and sales accounts);
- In order to ensure systematic monitoring of the implementation of all the agreement provisions of sales agreements, SOD should adopt appropriate internal rules and thus make provisions for procurement of agreements.

## Audit of the Investment Company for Pension and Disability Insurance d.d. – First Pension Fund

The Court of Audit conducted an audit of the regularity of operations of the First Pension Fund of the Republic of Slovenia (hereinafter: PPS), managed by the Investment Company for Pension and Disability insurance d.d., Dunajska 56, Ljubljana (hereinafter: KAD) in accordance with Article 23 of the Law on Pension Fund of the Republic of Slovenia and on conversion of authorised investment companies. In 2004, two regularity audit reports were issued on PPS, namely for the

years 2002 and 2003. The Court of Audit issued a positive opinion for both years.

In the report for 2002, the Court of Audit remarked that, in spite of compliance with the decision on the arrangements for evaluating of bookkeeping items of the mutual pension fund, issued by the Securities Market Agency in accordance with the Pension and Disability Insurance Act, long-term financial investments of lower value in business shares and ordinary shares, not traded in the regulated securities market, were probably inappropriately evaluated and that there was a likelihood of market values being lower than values appearing in the bookkeeping records of these investments. In 2003, KAD applied a tested and recognised model for business share evaluation, approved by the Ministry of Finance. Due to non-existence of a securities and business share market, it is difficult to determine their value, and there is therefore a likelihood of the estimated value derogating from the actual value obtained at sales of the assets, i.e. difficulties might occur during sale of these investments.

In 2002, the Court of Audit made the following recommendations to PPS: to document, either with written records or with official notes, all its orders for purchase of securities and orders placed with security dealers, as well as to file them; that the vendor issue an account for the securities purchase in all the purchases of securities, for the purpose of checking the carrying out of a purchase with order; and that KAD note, evidence, keep records of and file documentation on important parts of negotiations during sales and purchases, for the purpose of improving control efficiency. The above-mentioned recommendations were taken into consideration in 2003.

## Financial Audit and Regularity Audit of the Real Estate Pension and Disability Insurance Fund, d.o.o

The audit objective of the financial audit of the Real Estate Pension and Disability Insurance Fund, d.o.o was to issue an opinion on the fund's financial accounts for year 2002, and on the regularity of fund's operations for year 2002.

The Court of Audit was of the opinion that the balance sheet dated 31/12/2002 as well as the corresponding profit and loss accounts and documents annexed thereto, give a realistic and honest picture, from all major viewpoints, of the Real Estate Pension and Disability Insurance Fund's financial situation on the day of 31/12/2002 and of the profit and loss of its operations in the financial year which ended on that date, in accordance with Slovenian Accounting Standards. Regularity audit of the Real Estate Pension and Disability Insurance fund, d.o.o revealed no major irregularities either; therefore a positive opinion was issued as regards both audit objectives. This notwithstanding, on the grounds of audit results, the Court of Audit called on the Government of the Republic of Slovenia, as the founder of the Fund, to regulate, within the limits of its powers, the implementation of founder's rights and obligations of the Pension and Disability Insurance Institute, as the founder of the Real Estate Pension and Disability Insurance Fund.

The Court of Audit indicated in the audit report that there is a contradiction in contents between paragraphs three and four of Article 240 and Article 241 of the Pension and Disability Insurance Act. The Pension and Disability Insurance Institute, which is registered as the founder of the Real Estate Pension and Disability Insurance Fund, may not exercise founder's rights set out in the Companies Act, considering the role of the Government of The Republic of Slovenia and of the Ministry of Labour, Family and Social Affairs, as specified by the Pension and Disability Insurance Act.

## Regularity and Performance Audits of the Motorway Company of the Republic of Slovenia (DARS) in the Construction of Blagovica–Šentjakob Section of Motorway

In years 2002 and 2003 a parallel audit in the field of road construction was conducted in cooperation with the Austrian Court of Audit. In Slovenia, regularity and performance audits were conducted of the Motorway Company of the Republic of Slovenia in the construction of Blagovica–Šentjakob motorway section, as a part of the national motorway construction programme.

More detailed regularity and performance audits were conducted of the 3rd section of the Blagovica–Kompolje motorway construction of Blagovica–Šentjakob motorway section, which was opened for traffic on 30/06/2003. For regularity and performance testing of motorway construction, the 20 kilometre-long motorway stretch, constituting 7.2 percent of the roads open for traffic by 2003, was selected. In 2001, a total of 16.7 kilometres of roads were opened for traffic, and the above-mentioned stretch constitutes 8 kilometres or 50 percent of the roads opened.

The Court of Audit issued a negative opinion on the regularity of DARS's operations in the construction of the 3rd section Blagovica-Kompolje, motorway section Blagovica–Šentjakob, because in some cases, DARS operated in significant non-compliance with the regulations. The following were the most significant among the established irregularities: operation supervision, *pro forma* invoices and accounts were not effected in compliance with the regulations and agreement provisions; temporary work was not accounted for in accordance with the agreement and general technical conditions; DARS allowed the construction works contractor, contrary to the bidding offer made and agreement concluded, to subcontract the majority of works, thus acting in contravention of tender and agreement provisions, as bidders were required to list their subcontractors in their bidding offer; unforeseen additional works under the agreement for construction of a four-lane motorway were not accounted for on the basis of amounts charged *de facto* in accordance with the agreement, but on the basis of estimated level of completion; adoption of annexes for necessary and unforeseen works and other additional works was not conducted progressively and within reasonable periods of the issuing of approval for additional works; the decision on the selection of the most favourable bidder was issued tardily.

Performance evaluation of the construction of motorway Blagovica–Šentjakob section is based on the following assessments:

- The Court of Audit estimates that DARS did not ensure efficient use of public funds, as the accounts for the effected works must be examined; as for unforeseen and additional works arising in the process of construction of the motorway mainly due to landslide remediation and new planning solutions, it did not make previous arrangements with the contractor in an annex to the agreement.
- On consultation with construction specialists, the Court of Audit took reasonable measures for remediation of landslide, which resulted from *force majeure*, and it remedied the consequences of the landslide; DARS consented to shorten deadlines, bringing socio-economic advantages to direct users, while the inflow of toll funds increased, which was assessed as efficient by the Court of Audit.
- DARS successfully ensured landslide remediation on the site, even though it exceeded the initially planned costs for construction of retaining walls on the audited stretch by threefold. The objective of opening the motorway section ahead of the initially planned term was reached.

## Audits of the Election Campaign Organisers

In 2004, two types of elections were held: the European Parliament election on 13/06/2004 and the National Assembly election on 03/10/2004. For all the election campaign organisers, the Court of Audit conducted regularity audits of election campaign financing for candidates i.e. candidate lists. The Court of Audit conducted thirteen election campaign organiser audits of the European Parliament election, and twenty -six audits of the National Assembly election. All the European Parliament election audits were completed in 2004. Thirteen National Assembly election audits were also completed; more specifically of those organisers which are eligible for a partial reimbursement of election campaign costs under Article 21 of the Elections Campaign Act<sup>3</sup> (hereinafter: ZVolK). The remaining thirteen audits of National Assembly election organisers, which are not, in view of the election results, eligible for a partial reimbursement of election campaign costs, will be completed early in 2005.

The auditors of the Court of Audit planned and conducted the audits to the extent set out in ZVolK. Under the provision of ZVolK<sup>4</sup> the following items must be tested:

- The amount of raised and used election campaign funds,
- Whether the election campaign organiser acquired and utilised campaign election funds in accordance with ZVolK,
- Whether data supplied by the election campaign organiser in reports set out by ZVolK are accurate,
- The amount of partial reimbursement of election campaign costs for which the election campaign organiser is eligible under ZVolK.

*The audit objective* was to issue an opinion on the regularity of election campaign resource mobilising and use, and the amount of partial reimbursement of election campaign costs. The audit focus was primarily on the regularity of stated funds used for the election campaign, as the established cost of the election campaign and the number of received votes of each candidate, i.e. candidate list, serve as grounds for calculation of partial reimbursement of election campaign costs from the national budget.

Regularity audits of the financing of the election campaign for thirteen candidate lists for European Parliament Members were conducted by the Court of Audit in the election campaign organisers' headquarters. In regularity audits of the amounts stated in the election campaign final report, the Court of Audit issued a negative opinion in one case, an opinion with reservation in two cases, and a positive opinion in ten cases. In regularity audits of the mobilisation and use of election campaign funds, the Court of Audit issued an opinion with reservation in one case, a positive opinion in ten cases, and no opinion in two cases, as the organiser neither raised nor used funds for the election campaign.

In the testing of data supplied by election campaign organisers, the most common irregularities and errors in relation to raised election campaign funds were as follows:

- The organiser did not state, among raised funds, discounts and payment exemptions received from service suppliers, i.e. product vendors;
- Used election campaign funds;
- Calculation errors and misstatements in the account amounts;
- The organiser did not state all the election campaign accounts;
- The organiser did not state, among used funds, discounts and payment exemptions received from service suppliers, i.e. product vendors;
- The election campaign accounts were paid by a third party, in non-compliance with Article 18 of ZVolK, because they ought to have been paid from the party's special election account;
- The organiser included the expression of thanks to voters in the election campaign costs, which does not fall within election campaign costs by time or purpose criteria, as these activities are

<sup>3</sup> Official Gazette of RS, No. 62/94 and 17/97.

<sup>4</sup> Article 24.b of ZVolK.



undertaken upon completion of campaign; it was thus in non-compliance with the provisions of Articles 2 and 17a of ZVolK;

- The organiser included indemnity costs in the election campaign costs, which are not a part of election campaign costs by purpose or type of cost criteria; it is thus in non-compliance with Article 17a of ZVolK;
- The organiser included the costs of catering services supplied upon official completion of election campaign in the election campaign costs, which does not fall within election campaign costs by time criteria, as it is an activity undertaken upon completion of elections; it is thus in non-compliance with Articles 2 and 17a of ZVolK.

Regularity audits of election campaign financing for candidates i.e. candidate lists for National Assembly Members in 2004 were conducted by the Court of Audit for only thirteen organisers, namely those which are eligible for partial reimbursement of election campaign costs under Article 21 of ZvolK. In auditing the regularity of amounts stated in the election campaign final report, the Court of Audit issued a negative opinion in one case, an opinion with reservation in two cases, and a positive opinion in ten cases. In auditing the regularity of mobilisation and use of election campaign funds, a positive opinion was issued in four cases, an opinion with reservation in one case, and a negative opinion in eight cases. Established errors and irregularities were similar to the ones found at regularity audits of election campaign financing for candidate lists for European Parliament Members.

## Results in Post-audit Procedure

### Post-audit Reports

The post-audit procedure is a part of the audit process and occurs upon completion of audit. This procedure also includes the review of response report – which must be prepared by the audited user of budget funds – if the Court of Audit finds significant irregularities or under-performance, on condition that it was not stated in the audit report that appropriate measures were taken, in the course of audit procedure, for the remedying of the found irregularities and under-performance. In the response report, the audited user of public funds must report on the remedying of the found irregularities or under-performance. The Court of Audit assesses the veracity of the response report, and if it estimates that the found irregularities or under-performance were not remedied in an appropriate manner, it may issue a call for action to the competent authority. It is the authority, for which the General State Auditor estimates that it may, within the limits of its competencies, take measures against the responsible person of the user of public funds, and notify the Court of Audit of the measures taken – it is expected that the responsible person will be deprived of his/her office within 30 days.

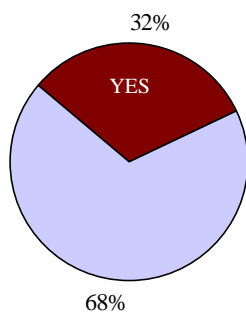
In 2004, the Court of Audit required twenty three audited users of public funds in 72 issued audit reports to state their corrective measures. In comparison with 2003 (17 cases or 27 percent), the response report requirement increased to 32 percent, due to an increased number of reports in which audited users of public funds did not implement corrective measures during the conducting of the audit, and to increased volume of established irregularities of a more significant nature. The deadline for submitting response reports is thirty to ninety days, and thus some post-audit reports issued in 2004 relate to specific audits for which reports were issued in 2003, while the response reports were not due until 2004.

The majority of measures required of audited users of public funds related to improvements connected with work costs and employment, public procurement procedures and internal control

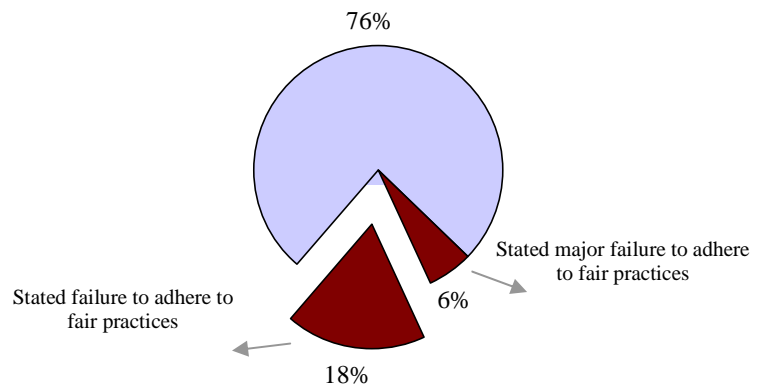
enhancement, as well as replacement of inappropriate internal acts. The proportion of response reports requirements in issued audit reports and post-audit reports in the total response reports including an evaluation of the measures taken is shown in Diagram 8.

Figure 8: The proportion of response report requirements and of issued post-audit reports

Request made for response report submittal in issued audit reports



Assessment of measures in issued post-audit reports



The Court of Audit issued seventeen post-audit reports in 2004, assessing measures stated by thirteen audited users of budget funds as satisfactory. Corrective measures stated in response reports by three audited users of budget funds were assessed by the Court of Audit as being in violation of obligations under Article 29 of the Court of Auditors Act (ZRacS-1) and Article 37 of the Rules of Procedure of the Court of Auditors of the Republic of Slovenia (PoRacS); one of the audited users of budget funds was found to have committed a major violation of obligations under Article 29 of ZRacS-1 and Article 37 of PoRacS, of which the National Assembly was notified, and dismissal was required for the person responsible.

In the assessment of veracity of the response reports, the Court of Audit found the following:

- In the *Izola Community Health Care Centre's* response report, specific corrective measures adopted by the health care centre on the basis of the Court of Audit's requirements were assessed as satisfactory; however, the Court of Audit found that corrective measures relating to the remedying of accounting and salary administration irregularities, stated by the health centre in its response report, were in fact not implemented. Thus, the health centre did not implement, by the time of response report submittal, the stated remedies for the accounting of Sunday work and management supplements. The Court of Audit assessed as unsatisfactory the corrective measure for the remedying of irregularities in basic rate establishment for the position of a nurse in home nursing, as the auditee did not correct the rate, which was in non-compliance with the Act Regulating Wage Rates in Public Institutions, State Bodies and Local Community Bodies. The irregularity, for which no satisfactory corrective measure was stated in the response report, and for which the Izola Health Center did not implement any such measure upon submittal of response report, does not exceed in nature or significance the significance threshold taken into consideration in the audit in which the irregularity was found, and thus the Court of Audit established that the health centre was in violation of fair practices under the provisions of paragraph 5 of Article 29 of ZRacS-1 and of paragraph one of Article 37 of PoRacS.
- *Motorway Company of the Republic of Slovenia, d.d., legal successor of the Company for Motorway Management and Maintenance, d.o.o.* (hereinafter: DARS) stated, in its response report, specific measures assessed as satisfactory, while measures relating to the remedying of irregularities in public

procurement, found at conclusion of insurance agreements and equipment purchase were assessed as unsatisfactory, as well as measures relating to conclusion of accident insurance agreements for employees in the case of accidents outside work. DARS limited itself to stating, in the corrective measures section, that in the future it would take fully into account the provisions of the Public Procurement Act, and added that the suggestion will be made to the management board to give consideration as to which employees should be insured, while until then, the established insurance system would remain in force. The Court of Audit estimated that DARS did not state satisfactory measures for the remedying of irregularities in its response report, nor were such measures implemented at a later date. As irregularities for which no satisfactory corrective measure was stated in the response report do not exceed, by nature or by significance, the significance threshold taken into account in the audit in which the irregularities were found, the Court of Audit issued a decision on violation of fair practices.

- *Water and Waste Water Public Utility Supply, d.o.o., Ljubljana* stated a few measures in its response report which were assessed as satisfactory, while the majority of measures the public utility, stated in the response report, were not satisfactory. The irregularities for which Water and Waste Water Public Utility Supply, d.o.o., Ljubljana did not state satisfactory measures exceed, by significance and by nature, the significance threshold set for this audit, and therefore the Court of Audit assessed all the measures in the response report as unsatisfactory. The Court of Audit thus issued a decision on major violation of fair practices, and suggested to the public utility's founders the dismissal of the public utility's director. The founders took into account the Court of Audit's suggestion, adopting the decision on the public utility's director's dismissal after the lapse of one year.

The three cases of response reports in relation to which the Court of Audit assessed that the audited users of public funds were in violation of fair practices clearly show that users of budget funds take corrective measures too formally, and that they most likely give little consideration to causes of irregularities and under-performance.

## Proposals to Institute Misdemeanour Proceedings and Criminal Offence Reports

In 2004 the Court of Audit filed seven proposals to institute misdemeanour proceedings due to irregularities found in audits. In this period it did on no occasion press charges.

### *Misdemeanours*

Proposals to the Misdemeanours Judge to institute misdemeanour proceedings were filed for the following misdemeanours:

- Rental of business premises without a public tender procedure (item four of Article 107 of the Public Finance Act),
- Overly high food reimbursement amounts (Article 12 of the Act Fixing the Reimbursement Amounts for Work Related Expenses and Certain Other Receipts),
- All election campaign expenses were not paid out from the special election campaign account (Article 29 of the Elections Campaign Act),
- A special election campaign account was not opened within the prescribed deadline (Article 29 of the Elections Campaign Act),
- Report on election campaign financing was not submitted within the prescribed deadline (Article 29 of the Elections Campaign Act).

Out of two proposals to institute misdemeanour proceedings filed by the Court of Audit in 2003, one fell under statute of limitation while under examination by the Misdemeanours Judge, while the other is still under consideration.

### *Criminal offences*

In 2004 no charges were pressed. Out of seven reports or charges, filed in 2003, the competent state prosecutor requested an investigation in one case, established that the offence described was not a criminal offence in four cases, while in the remaining cases the Court of Audit has not yet been informed on the stage reached in the procedure.

### *Request for legality assessment*

In 2004, the Court of Audit filed one request to the Constitutional Court of the Republic of Slovenia for the assessment of legality of a municipal act, namely the compatibility between the Rules on Renting Business premises and the Public Finance Act.

## Supervision over the Court of Audit's Work Quality

### External Supervision

In 2004, the Court of Audit was visited by a delegation of the International Monetary Fund, which was introduced by the auditors of the Court of Audit to Court of Audit's work methods in auditing the results of specific programmes of the national budget; members of the OECD Commission were given an introduction to the responsibilities of the Court of Audit and state budget auditing methods.

ZRacS-1 provides for the financial statements of the Court of Audit to be audited by a company selected by the National Assembly on a proposal from the working body responsible for the supervision of the budget and other public funds. In 2004, the National Assembly adopted a decision on selection of an auditing company for auditing the Court of Audit's financial statements for years 2001, 2002 and 2003. The company selected was the Audit Office RENOMA, d. o. o. Ljubljana.

Upon completion of audit, a separate report was issued for each year, in which RENOMA audited the Court of Audit's balance sheet and the annexed income and expenditure account and additional explanations of financial statements for the then elapsed year, expressing the following opinion for each year:

*'In our opinion, financial statements with explanations give a realistic and fair picture of the financial situation of the Court of Audit on the date of ..., with excess of revenues over expenditures in the then elapsed year in accordance with the Public Finance Act and the Accountancy Act.'*

### Internal Audit

Internal audits at the Court of Audit are based on the Rules on Accounting and Financial Issues of the Court of Audit and the Rules on Internal Audits of the Court of Audit of the Republic of Slovenia. Internal auditing is conducted by the auditors of the Court of Audit, designated by the President.

Internal audits are conducted in accordance with fundamental accounting principles and international auditing standards, and on the basis of the adopted short-term auditing plan. The short-term auditing plan for 2004 set out the following audits:

- Regularity audit of financial statements and of the implementation of the Court of Audit's financial plan for 2003,
- extraordinary audits.

A regularity audit of financial statements and of the implementation of the Court of Audit' financial plan is a mandatory audit, as set out by the Rules on Accounting and Financial issues of the Court of

Audit. In 2004, financial statements for 2003 were audited, including balance sheets on the date of 31/12/2003 and the implemented financial plan of the Court of Audit for 2003. The objective of the audit was to issue an opinion on the reality and veracity of financial statements and on the regularity of financial plan implementation (or on the regularity of the Court of Audit). Findings of the audit were submitted in the financial statement audit report for 2003 (No. 3208-1/2004-2 dated 26/02/2004) and in the Court of Audit's regularity report for 2003 (No. 3108-1/2004-4 dated 05/04/2004). On the grounds of reviews, it was established that the financial statement gives a real picture of the state of assets and funds on the date of 31/12/2003 and of the profit and loss accounts for the period from 01/01 to 31/12/2003, while the implementation of the Court of Audit's financial plan for 2003 was in all respects in compliance with the regulations: *a positive opinion*.

In addition to financial statement and regularity audits of the Court of Audit, regularity audits of recording and evaluation of specific business transactions in the Court of Audit's books were conducted. Upon completion of reviews, reports, explanations and recommendations were issued, which were taken into account by the management.

## Co-operation between the Court of Audit and the National Assembly

Co-operation between the Court of Audit and the National Assembly is specifically provided for in ZRacS-1. Under this provision, the Court of Audit sends all the issued audit reports to the National Assembly, so that it may have an up to date insight into the entire review process of use of public funds, conducted by the Court of Audit. If the Court of Audit estimates that a user of public funds did not remedy found irregularities and under-performance in a satisfactory manner, and establishes major violations of fair practices, it notifies the National Assembly of these circumstances. Under ZRacS-1, the working body of the National Assembly responsible for supervision of budget and other public funds, upon discussion of these matters requiring the presence of a representative of the user of public funds, takes a decision, within the limits of its responsibilities, on measures to be taken due to major violation of fair practices. The competent working body is the Commission for Budgetary and Other Public Finance Control. The Commission's Decisions contribute to an improvement of public fund users' business practices.

In 2004 the Court of Audit issued 72 audit reports, but the Commission for Budgetary and Other Public Finance Control did not examine any reports in 2004. Likewise, the National Assembly did not examine the Court of Audit' annual report for 2003.

In 2004, The Court of Audit prepared, on the grounds of a decision of the Commission for Budgetary and Other Public Finance Control of the National Assembly of the Republic of Slovenia, an analysis of the most common and recurrent violations of provisions found in the Court of Audit's audit reports.

The subject analysis prepared by the Court of Audit comprises the most common and recurrent violations of provisions found in final audit reports issued by the Court of Audit under ZRacS-1 for years 2001 to 2004. The reports relate to business transactions of audited users of public funds from year 2000 onwards. This period coincides with the period in which all the new public finance acts were put into force and into use, such as the Public Finance Act (ZJF), Accountancy Act (ZR) and Public Procurement Act (ZJN-1).

Violations or irregularities and errors treated in the analysis represent violations of provisions of the ZJF, ZR, ZJN-1 and the Republic of Slovenia Budget Implementation Acts (ZIPRS). In addition, violations of the Financing of Municipalities Act (ZFO), the Local Government Act (ZLS), the Public Utilities Act (ZGJS), the State Employees Act, the Act Regulating Wage Rates in Public Institutions, State Bodies and Local Community Bodies (ZRPJZ), and implementing regulations based thereon, were taken into account. The analysis did not include violations of other laws, even though they were also found in audit reports. The subject of the analysis was broader than initially proposed by the National Assembly, as employment

regulations too were taken into consideration, as opposed to budgetary issues only, since an analysis thus conceived gives a more comprehensive view of the violations committed by direct and indirect users of state and municipal budgets. The treated violations are, by their nature, irregularities and errors, as set out in the Court of Audit guidelines. Thus, the analysis treated regularity audits and financial audits.

The analysis was structured by type of auditee, namely as regards

- the state, i.e. direct users of the state budget,
- municipalities, i.e. direct users of the municipal budget,
- indirect users of state and municipal budgets and
- economic public utility providers.

The analysis is concluded by final findings and recommendations, summarizing analysis results.

# Recommendations and Counselling to Users of Public Funds

The Court of Audit counsels users of public funds in the following manner: Court of Audit members or the Supreme State Auditor give counsel on public finance issues, basing it on previously conducted audits. The opinion on a specific public finance issue may be given by the senate, if the Court of Audit has not yet ruled on the issue. The Court of Audit conducts the majority of its counselling and recommendation giving activities during the audit, at clearance meetings, while some recommendations are issued in audit reports, or prepared separately.

In 2004, the senate issued one opinion on a public finance issue, namely on the amount of assets the election campaign organiser can obtain as a contribution from individual persons and legal entities for the National Assembly election campaign; the two Deputy-Chairmen and Supreme State Auditors issued thirty-six opinions related to public fund user requests. The number of issued opinions, counsels and recommendations is increasing yearly, while all types of counsel and recommendations contribute to better business practices of public fund users.

In the audits conducted in 2004, the Court of Audit found certain inconsistencies in the legislation, which led it to prepare proposals and recommendations for the legislator:

- In *audits of municipalities' business operations*, the Court of Audit found that there is a risk of excessive contracting of debts by municipalities; therefore, it *proposed to the legislator to legally regulate business borrowing and limit its scope. It also recommends that a limit be set for the total amount of financial borrowing* for purposes for which there is currently only a limit for amounts of yearly principal and interest repayments.
- In audit reports of *election campaign organiser audits*, restrictions for the conducting of audits, deriving from the provisions of ZVolK, were exposed, which prevented the auditors of the Court of Audit from verifying the integrity of amounts stated in the report, i.e. from verifying whether all the election campaign costs were paid out from the account in question. The restrictions in question are the following:
  - Under Articles 18 and 19 of ZVolK, the election campaign organiser must submit the election campaign report to the Court of Audit two months prior to obligatory closing of the special election campaign account; in the report, it must report, among other things, on all the funds raised and used in the election campaign; the election campaign organiser may thus conduct business transactions through the account for two more months following the election campaign report submittal deadline;
  - The period set for the closing of the special account and the period set for the issuing of our audit report, for organisers entitled to partial reimbursement of election campaign costs under ZVolK, are equal, and limited to three months, which means that, in these audits, the auditors of the Court of Audit cannot test the organiser's compliance with the provisions of Articles 18 and 24.a of ZvolK;
  - The report on transactions on the election campaign organiser's account, from which it transferred funds to the special election campaign account, is limited to a period of six months prior to election day.

The subject of the Court of Audit audit under ZVolK is the election campaign report, whose form and contents are specified in the ordinance on the forms for reports on funds raised and used for election campaign. The report forms are deficient, as they do not include information on the election campaign organiser, the responsible person or the candidate for whom the organiser organised the election campaign, nor information on special election campaign account.

In view of the above mentioned lack of clarity of ZVolK provisions, *the legislator should initiate procedures for the changing of the law*, in order to facilitate election campaign organisers' work in reporting on raised and used election campaign funds, as well as the Court of Audit' work in auditing

election campaign financing. Upon completion of National Assembly election campaign organisers audit early in 2005, The Court of Audit intends to report on this issue again to the National Assembly of the Republic of Slovenia, and to the sector Ministries – the Ministry of the Interior and the Ministry for Public Service.



# Court of Audit's Development Efforts

## Twinning Project

Twinning projects were organised as part of the European Union's assistance to pre-accession states in order to help these states function in the European Union in accordance with the standards in force in the EU. The Court of Audit was involved in two such projects; the implementation of the latter started in 2003 and was concluded in February 2004. The Supreme Audit Institutions of Great Britain, Denmark and Spain, and the audit committee of Great Britain partook in the project along with the Court of Audit. The twinning project was comprised of four components, representing four development effort areas of the Court of Audit, putting into operation the principle of alignment of budget with results, auditing municipalities' business operations, auditing transfer receipts from the European Union budget, and detection of fraud and corruption. During the implementation of the twinning project, draft guidelines for auditing these subjects were drawn up.

The results of the project were already visible in 2004: the audits of state operations and of the use of international assets received by the Republic of Slovenia prior to accession to the European Union included new review elements, audits of municipality operations were conducted following the new methodology, while tools for fraud and corruption detection are used in every audit by the auditors of the Court of Audit.

Following completion of the twinning project, new tendencies for improving the audit process and demands for development of new tools are arising, which will allow the auditors of the Court of Audit to respond to an increasing number of challenges in auditing the use of public funds; therefore, the Court of Audit will continue to participate in the educational trends of the European Union.

## Establishment of a Separate Unit of the Court of Audit in Maribor

On the basis of the second paragraph of Article 2 of ZRacS-1, the Court of Audit decided to establish an organisational unit of the Court of Audit in Maribor. In its decision to establish a unit in Maribor, the Court of Audit was guided by the following factors:

- The lack of space in the Court of Audit Ljubljana facilities
- A substantial number of auditor employees with residence in eastern Slovenia
- The wish of the Court of Audit to come nearer to the users of public funds and gain new employees from the north-east of Slovenia.

In the period from 2001 to 2004, the Court of Audit conducted twenty-seven audits in the north-east of Slovenia, representing 9.8 percent of total conducted audits. The opening of a new organisational unit in Maribor will allow the Court of Audit to conduct a substantially larger number of audits in this area.

The Court of Audit has a leasing agreement for renting business facilities in Maribor with a surface area of 281.65 square meters for a five year period with extension and termination options. The headquarters of the organisational unit is in Maribor, Ulica heroja Bračiča 6.

# Education and Employment

## Seminar Attendance

In 2004, the employees attended one hundred and forty-five training and continuing education seminars, including one auditor's three week training abroad. The Court of Audit organised three trainings in its facilities, two for all the employees, and one for auditors only.

Twelve Court of Audit employees are pursuing continuing education programmes, four of which have an agreement for undergraduate studies, and eight for a Master's programme.



*Court of Audit auditors attending a seminar*



*President of the Court of Audit Igor Šoltes awarding diplomas at the closing ceremony for graduates of the training programme for the title of state auditor*

## Training Programme for Obtaining the Title of State Auditor

Due to constant development of the profession, the auditors of the Court of Audit are expected to attend professional trainings and acquire new skills, which are a prerequisite for high quality audit performance. In 2004, thirty auditors pursued the training programme for obtaining the title of state auditor, twenty-three out of which obtained the title in the same year.

The training was organised in the Court of Audit's facilities, with lecturers coming from universities, the public administration sector and the Court of Audit. Knowledge and skills acquired by the employees in the training programme for obtaining the title of state auditor are determined by the curriculum, which encompasses subject areas including public administration, public finance, public sector accounting, legislation and auditing methodology. Such programmes for acquisition of new skills and experiences contribute to the improvement of the Court of Audit employees' efficiency, and is in accordance with INTOSAI's and Court of Audit's code of conduct, which requires a state auditor to know and apply auditing profession standards, and to continually pursue professional education programmes.

## Employment

The court of Audit's establishment plan for 2004 envisages one hundred and twenty employees. At the close of the year, post occupation reached 93 percent of the planned total. On 31 December, 2003 there were one hundred and four employees at the Court of Audit, increasing to one hundred and twelve by 31 December, 2004, four out of which were senior officials, who continue to receive wage compensation upon expiration of their term appointments. There are a hundred and eight actual employees at the Court of Audits, including eight senior officials, seventy-nine clerical workers, and twenty-one technical workers. The number of employees in 2004 increased by 7.7 per cent.

In 2004, twenty employees concluded employment contracts, including two employees with fixed-term contracts, who were employed as substitutes. Thirteen employees resigned from their positions. Eight senior officials' term appointments expired. Staff turnover was 10.4 percent, or 4 per cent higher than in 2003, but due to intensive recruitment in 2004, the number of employees increased in comparison with the same period of last year. Importantly, Court of Audit counsellors were also elected to vacant positions, which ensured professional continuity in management. Due to recruitment of current employees for newly opened positions, and to the outflow of staff owing to resignations, staff policy was mainly aimed at employing new auditors and support staff with university education. In 2004 there were seven vacancy notices for forty vacancies. One thousand and twenty-three candidates applied for these positions. Twenty-five of them concluded employment contracts with the Court of Audit. Twenty of them began work in 2004, while five of them will start in 2005. The recruitment process for fourteen vacancies is still under way, and will be completed in 2005. New staff inflow will most likely be completed by June, 2005. The educational structure of staff has not changed significantly in comparison with last year's. It is shown in table 11.

Table 11: Staff educational structure

<b>Level of education or professional title</b>	<b>Number of employees 31/ 12/ 2003</b>	<b>Number of employees 31/ 12/ 2004</b>
PhD	3	0
Master's Degree	9	7
University or high education	76	85
Post-secondary education	3	2
Secondary education	12	13
Vocational training	1	1
<b>Total</b>	<b>104</b>	<b>108</b>

Similarly, the number of employees by work sectors has not changed significantly in comparison with last year. The number of employees in support services increased by four, two of which were employed at substitute positions. The number of employees by work sectors is shown in table 12.

Table 12: Number of employees by work sectors

<b>Work sector</b>	<b>Number of employees on 31/12/2003</b>	<b>Number of employees on 31/12/2004</b>
Management		
• members	3	3
• supreme state auditors	4	4
• secretary of the Court of Audit	1	1
<b>Total management</b>	<b>8</b>	<b>8</b>
Auditing		
• counsellors	9	5
• deputy supreme state auditors	0	4
• assistant supreme state auditors	21	18
• senior auditing staff members	12	15
• junior auditing staff members	28	27
<b>Total auditing</b>	<b>70</b>	<b>69</b>
Support services		
• head of international co-operation and public relations services	0	1
• head of office	0	1
• secretaries	10	9
• civil servants in support services	16	20*
<b>Total support services</b>	<b>26</b>	<b>31</b>
<b>Total</b>	<b>104</b>	<b>108</b>

\* 2 substitute positions

Twice in the year, heads of organisational sections reviewed the work of public officers from quantitative and qualitative viewpoints. According to their findings, they proposed promotions to a higher grade. Twenty-five, or 23.14 percent of the employees, were promoted. Fifteen, or 13.8 per cent of the employees were raised to a more responsible positions.

# International Co-operation

The Court of Audit set as its objectives for 2004 active co-operation in international working groups within the framework of INTOSAI and EVROSAI organisations, and in the international committee of institutions which are a part of the NATO: NATO-IBA, strengthening of co-operation with Supreme Audit Institutions which are a part of the European Union, continuing of co-operation with V4+2 group, and extension of bilateral co-operation through counselling to those Supreme Audit Institutions which are candidates for accession to the European Union, and to those European countries which are only starting preparations for the establishing of Supreme Audit Institutions. It reached its objectives through co-operation of the Court of Audit representatives at multilateral and bilateral meetings, participation in working groups, co-operation in research undertaken by European Supreme Audit Institutions and professional counselling to Supreme Audit Institutions of Macedonia and Montenegro and to representatives of Vojvodina and Bosnia and Herzegovina.

## Co-operation within International Organisations

In 2004, the 18th congress of INTOSAI (International Organisation of Supreme Audit Institutions) took place in Budapest. At the congress, a new strategy was adopted, including new guidelines to be built into future operations of Supreme Audit Institutions throughout the world. Four representatives of the Court of Audit attended the congress.

Several working groups operate within the framework of INTOSAI. The Court of Audit participates in two of them: the Working Group on Information Technology, and the Working Group on Privatisation Auditing. The meeting of the Working Group on Information Technology took place in Moscow. The Court of Audit is a permanent member of the group's committee, and the Court of Audit representative prepared the introductory speech on risk assessment in e-administration projects, for this meeting where one of the topics treated was e-administration auditing.

The INTOSAI working group on privatisation's regular annual meeting in Sofia was attended by the counsellor of the Deputy President of the Court of Audit. The attendees presented audit methods implemented by their Supreme Audit Institutions in the past years.

EUROSAI – the European Organisation of Supreme Audit Institutions is one out of six regional organisations within INTOSAI. As the Court of Audit is a member of EUROSAI's administrative committee, the President and the head of international co-operation services attended the regular annual meeting, held in Lithuania this year. At the meeting, heads of working groups presented their activities, findings and proposals. The latter were adopted by all the members of the organisation at the meeting held at the same time as the INTOSAI congress in Budapest.



*Slovenian delegation at the INTOSAI congress in Budapest*



*International workshop for environment auditing in Bulgaria, within the framework of EUROSAI*

The EUROSAI group for auditing information systems was the most active. All the Supreme Audit Institutions partaking in the group prepared methods which will be used in self-assessment of IT functions of each individual supreme audit institution. The Court of Audit representative in the group attended the meeting in Switzerland. Members of the working group also held a workshop in Portugal, and presented IT function self-assessment methods to attendees from all European states. A junior auditor of the Court of Audit, an expert in the field, attended the meeting.

A working group on environment auditing also operates within the framework of EUROSAI. The Court of Audit intends to form a group of auditors specialising in audits of this type, and thus one Court of Audit representative attended the workshop in Sofia, where audits concerning conservation of bio-diversity in the natural environment were presented.

The counsellor of the Deputy President of the Court of Audit attended the regular annual meeting between representatives of Supreme Audit Institutions of NATO member states, and members of the international committee of NATO auditors. Representatives of this organisation presented their activity report, which was then discussed.

## Inter-institutional Co-operation

With the accession of ten new Member States into the European Union, the group of Central and East-European states, Cyprus, Malta and Turkey, founded with the purpose of harmonising auditing methods with standards in use in the European Union, ceased to operate. Before May 2004, two closing meetings of the group took place: at the first one, held in Dubrovnik, international relations representatives prepared working papers for the meeting of the presidents of Supreme Audit Institutions of the group, which, in turn, took place in Riga. The first meeting was attended by the head of international relations service, and the second by the President and his Deputy.

The Court of Audit co-operated most intensely with Supreme Audit Institutions of the European Union Member States. The exchanges took place in various working groups and bilaterally, and Supreme Audit Institutions briefed each other on their working methods in different fields through numerous questionnaires, allowing for comparisons between specific Supreme Audit Institutions' methods. The Court of Audit took an active part in these exchanges, attending several working meetings.

Structural fund auditing is a topic gaining increasing relevance due to the accession of the Republic of Slovenia to the European Union, and therefore the Netherlands Court of Audit organised a seminar on

preparing special reports on structural fund auditing. A supreme state auditor and a junior auditor attended the seminar. A presentation on structural fund auditing methods was, in turn, organised at the European Court of Audit in Luxembourg. It was attended by three Court of Audit representatives. As for the agreement reached on further co-operation with the European Court of Audit – relating to the fact that the European Court of Audit auditors, whenever they conduct an audit of the use of European funds in Slovenia, inform the Court of Audit of it beforehand – it was negotiated in Luxembourg by the first Deputy President. Within the framework of the agreement on auditor exchange, the counsellor of the second Deputy President of the Court of Audit spent six months at the European Court of Audit.

A workshop on performance audits, organised by SIGMA (the organisation consolidating OECD and European Union initiatives for supporting improvements in state and public administrations of Central and East European states) and the European Court of Audit took place in Prague, and was attended by two Court of Audit representatives.

Meetings of the working group for fiscal audits, founded on the initiative of the German Court of Audit, took place in Brussels, Rome, Bern and in Poland. The group's objective is maximum standardisation of fiscal and customs audits. All the meetings of the working group were attended by a Court of Audit representative.

In 2004, the Conference on Auditing in Public Sector took place in Brussels, and was attended by a supreme state auditor, while the Healthcare Fraud and Corruption Conference was held in London. Prior to the conference a research was conducted, in which an auditor of the Court of Audit, who attended the conference, took part.

The meeting of the European Federation of Accountants' Public Sector Board in Switzerland was attended by a Court of Audit representative; at the meeting, co-operation of the Board with IFAC (International Federation of Accountants) Public Sector Board was presented.

Conclusions and results of meetings, seminars and workshops are always presented at a meeting of the Contact Committee, whose members are presidents of Supreme Audit Institutions. The 2004 meeting took place in Luxembourg, and was attended by the President of the Court of Audit. Representatives of Supreme Audit Institutions for international co-operation were in charge of meeting preparations. The meetings were held in Paris and Luxembourg, and were attended by the head of international relations service. In order to make the Contact Committee's operation as efficient as possible, a select group of representatives of Supreme Audit Institutions for international relations, named the Task Force, was organised. Upon Slovenia's accession to the European Union, the Court of Audit became a member of the group, whose meeting in London was attended by one representative.

The Court of Audit had close interinstitutional co-operation with Supreme Audit Institutions of Great Britain, Denmark and Spain, in the year of conclusion of the twinning project, whose topics were alignment of budget with results, auditing municipalities' business operations, auditing transfer receipts from the European Union budget, and detection of fraud and corruption.

In the same year, Great Britain National Audit Office organised a three-week training, attended by one Court of Audit auditor.

In 2004, the Court of Audit began a more intense participation in the group of Supreme Audit Institutions of the Visegrad Group. Up to that point, Courts of Audit of Austria and Slovenia had the status of honorary members; the group is now reorganised and was renamed to V4+2. The group's objective is the exchange of views and experiences, and participation in joint audits. The 2004 meetings were held in Poland and Slovakia. Both were attended by the President of the Court of Audit. The seminar held within the framework of this group in Slovakia was on application of



INTOSAI standards. Court of Audit representatives attended lectures on audit planning and sampling.



*Austrian auditors group at the closing of audit at the Court of Audit of the Republic of Slovenia*



*The President of the Audit Office of the Republic of Croatia Šima Krsić during a visit to the Court of Audit*

The President of the Court of Audit visited Norwegian and Danish Supreme Audit Institutions; the topic treated was inter-institutional co-operation planning.

Several discussions with the Croatian Audit Office on the operating principles of a Supreme Audit Institution's regional units and on twinning project experiences took place in Zagreb and Ljubljana, and an agreement was concluded on a joint audit in the field of ecology.

Similarly, ecology will be the subject of a tripartite audit, conducted by the Court of Audit in co-operation with the Austrian Court of Audit and the Supreme Audit Institution of Hungary. The first discussions among experts took place this spring in Vienna. The Court of Audit has already conducted individual audits with both institutions; the last audit in co-operation with the Austrian Rechnungshof was completed in 2004, and the Austrian Court of Audit representative with a delegation of auditors who participated in the audit came to Slovenia for the closing. The Court of Audit exchanged experiences in the field of state budget auditing with the representatives of the State Audit Office of Hungary: Ljubljana was visited by three Hungarian auditors, while two Slovene auditors went to Hungary.

Representatives from Vojvodina and Montenegro arrived to the Court of Audit for discussions on co-operation in the establishment of audit institutions, and discussions took place with representatives of Bosnia and Herzegovina on the assistance of the Court of Audit in auditing the election campaign in Bosnia and Herzegovina.

In May, Ljubljana was visited by a delegation of the International Monetary Fund. The auditors of the Court of Audit briefed them on the Court of Audit's working methods in auditing results of specific state budget programmes; as for the representatives of the OECD Commission, who visited Slovenia in the autumn, the Deputy President and a Supreme State Auditor presented the Court of Audit's competencies and state budget auditing methods.

On 9 December, 2004, the Court of Audit celebrated its tenth anniversary. The celebration was attended by Presidents and representatives of Supreme Audit Institutions with which the Court of Audit had closer co-operation: the President of the European Court of Audit, the Presidents of Slovakian and Hungarian audit institutions and high representatives of the Croatian Audit Office and of Great Britain National Audit Office. Bilateral discussions took place with all the visitors from abroad on that occasion.





*The President of the European Court of Audit Fabra Vallés at the tenth anniversary celebration of the Court of Audit of the Republic of Slovenia*



*The President of the State Audit Office of Hungary Árpád Kovács, the President of the European Court of Audit Fabra Vallés and the President of the Court of Audit of the Republic of Slovenia Igor Šoltes at the tenth anniversary celebration of the Court of Audit*