



Revizijsko poročilo

Razvoj podeželja v Republiki Sloveniji

Revizijsko poročilo

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Revizijsko poročilo

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Annual Report 2011

Mission

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



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KEY RESULTS

- **71** ISSUED AUDIT REPORTS
- **31** ISSUED POST-AUDIT REPORTS
- REVIEW OF OPERATIONS OF **90** AUDITEES
- ASSESSMENT OF **190** CORRECTIVE MEASURES
- **251** RECOMMENDATIONS PROVIDED TO USERS OF PUBLIC FUNDS
- **125** ADEQUATELY IMPLEMENTED CORRECTIVE MEASURES BY USERS OF PUBLIC FUNDS
- REQUIREMENTS AND RECOMMENDATIONS FOR THE AMENDMENT OF ACTS AND OTHER REGULATIONS
- **154** WRITTEN RESPONSES TO THE QUESTIONS OF USERS OF PUBLIC FUNDS
- CONTINUATION OF REGIONAL CONSULTATIONS WITH THE REPRESENTATIVES OF LOCAL COMMUNITIES
- ACTIVE INTERNATIONAL COOPERATION
- COOPERATION WITH THE NATIONAL ASSEMBLY

INTRODUCTION

For the Court of Audit of the Republic of Slovenia, the year 2011 represents the fifth year of the implementation of its Strategy 2007-2013. Therefore the annual report reflects the achievements of those strategic objectives.

In the year 2011, the Court of Audit was carrying out 217 audits (76 more than in the previous year). It issued 71 audit reports, 31 post-audit reports, prepared records on the examination of annual reports about the operations of political parties, two reports on the pre-audit enquiry carried out, 122 draft audit reports and 106 proposed audit reports.

The 71 audit reports issued in 2011 considered the operations of 90 auditees. Among the auditees were all the ministries, the Government and governmental services, subordinate bodies, the Health Insurance Institute of Slovenia, the Pension and Disability Insurance Institute of Slovenia, eight municipalities, 14 public institutes, one public company, two funds, two agencies, 19 organisers of election campaigns as well as 12 auditees of other legal forms. The Court of Audit issued 251 recommendations. Audits with the sole objective to assess efficiency, effectiveness or economy of operations, represent 22.5 percent of all reports issued in 2011, which means that the share from the year 2010, i.e. 30.4 percent, was reduced by eight percent. For the second consecutive year, this is mainly a consequence of an unexpectedly large number of referendum campaign organisers. Performance audits were audits of operations of non-commercial public service providers, commercial public service providers, individual ministries and other users of public funds.

In the issued 31 post-audit reports (10 more than in the previous year), the Court of Audit assessed 190 corrective measures. This represents a considerable increase compared to the previous year which saw the assessment of 82 corrective measures. 125 measures were assessed as adequate, 50 as partially adequate and 15 as inadequate.

In the year 2011, the Court of Audit received 452 initiatives for the implementation of audits, which is 43 more than in the previous year. This upward trend has been observed in the past few years. The Court of Audit received 409 initiatives in 2010 while in 2009 it received 274 initiatives. The Court of Audit continues with its appropriate and efficient work by responding to the public demands and by selecting relevant audits.

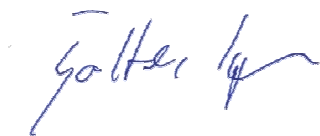
One of the tasks of the Court of Audit is to provide advice to users of public funds on public finance issues and to organise trainings for users of public funds in order to clarify the sound financial management. Therefore the representatives of the Court of Audit participated at various seminars, conferences and workshops with their expert inputs from various fields of public finance. The year 2011 saw the commencement of the second cycle of regional consultations with mayors, directors of municipal administrations respectively entities responsible for the field of finances of coastal municipalities, the

subject of discussion being public finance management in local communities. The consultations have been aimed at exchanging opinions, positions and questions related to public finance management in municipalities and to the legislation concerned.

In 2011, the Court of Audit continued with its best practice: to develop questionnaires for the members of the Commission for Public Finance Control of the National Assembly of the Republic of Slovenia in considering performance audit reports and in this way to promote the efficiency of their meetings.

Three employees attended and successfully completed the training for obtaining the title state auditor in 2011 and five employees were awarded the title certified state auditor. One employee passed the bar exam.

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



Dr Igor Šoltes,
President of the Court of Audit of the Republic of Slovenia

POWERS

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

The powers of the Court of Audit are provided for in the Court of Audit Act, namely to audit operations of users of public funds and to provide advice to them. The Court of Audit by its independence and expertise not only complies with its statutory obligations in a timely and quality manner but by focusing on material areas in the public sector and more risky areas, it also tries to promote regularity, efficiency, effectiveness and economy among users of public funds.

OBJECTIVES

The mission of the Court of Audit is to inform the public about important audit findings from the audits of operations of state bodies and other public funds users in a timely and objective manner. In addition, by drawing on its experience and expertise the Court of Audit delivers best practice advice to state bodies and other users of public funds on how to improve their financial management. By disclosing irregularity and under-performance, the Court of Audit warns about the responsibility of state bodies and holders of public functions and thus contributes to improvements in the welfare of the citizens of the Republic of Slovenia and the European Union.

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

- Objective 1: To report to the National Assembly and the public on the results of auditing the use of public funds in a timely and quality manner;
- Objective 2: To react efficiently to changes in the environment and to the public's requirements and interests;
- Objective 3: To benefit the public sector by implementing audits and to contribute to the reduction of irregularity as well as inefficiency, ineffectiveness and uneconomy in the operations of users of public funds
- Objective 4: To further increase the advisory role of the Court of Audit;
- Objective 5: To enhance the capacity and skills of the employees of the Court of Audit and to continuously provide for their training and professional qualifications;
- Objective 6: To continually improve the communication strategy and to strengthen the cooperation with others;
- Objective 7: To further improve the institution's work organisation and management.

These strategic objectives were considered in the Annual work programme for the performance of audit responsibility for 2011.

ATTAINMENT OF OBJECTIVES

Strategic objective 1

To report to the National Assembly and the public on the results of auditing the use public funds in a timely and quality manner

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

- the regularity of the implementation of the state budget (regularity of Government operations);
- the regularity of operations of the public institute of health insurance;
- the regularity of operations of the public institute of pension insurance;
- the regularity of operations of a suitable number of urban and other municipalities;
- operations of a suitable number of commercial public service providers;
- operations of a suitable number of non-commercial public service providers.

Apart from the above listed mandatory audits, the Court of Audit endeavours to implement as many other audits as possible in order to provide the National Assembly and the interested public with timely, reliable and quality information on financial operations, task implementation, achievement of objectives and results, management and internal control.

In 2011, the Court of Audit was carrying out 217 audits (76 more than in the previous year) and issued:

- 71 audit reports,
- 31 post-audit reports,
- records on the examination of annual reports about the operations of political parties,
- 2 reports on the pre-audit enquiry carried out,
- 122 draft audit reports,
- 106 proposed audit reports.

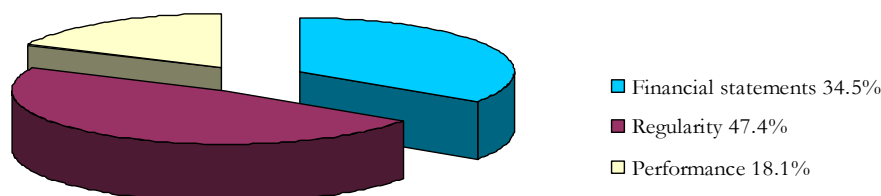
Types of audits

Audits are classified according to the objectives set by the Court of Audit. In 2011, the following audit objectives were defined:

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

Figure 1 illustrates types of audits for which audit reports were issued in 2011.

Figure 1: Types of audits according to audit objectives



The Court of Audit also implements audits where it simultaneously expresses an opinion on two of the above mentioned objectives. In 2011, out of 71 completed audits 18.1 percent of them were performance audits, which is three percent less than in the year 2010, mainly on the account of the implementation of mandatory regularity audits concerning the financing of referendum campaigns by legislative referendum organisers. In 2011, again the largest share of audits was represented by regularity audits (as an individual objective respectively one of two objectives), i.e. 47.4 percent of all audits. This share is comparable to the year 2010, when it was 53.1 percent. There were no audits with a single objective to express an opinion on financial statements, rather this objective was met along with another audit objective (either performance or regularity). Such audits represented 34,5 percent of all audits, which is 13 percent more than in the previous year, mainly on the account of mandatory regularity audits concerning the financing of referendum campaigns by legislative referendum organisers.

45 audits (the same amount as in the previous year) had two audit objectives, namely to express an opinion on financial statements and on the regularity of operations respectively to express an opinion on the regularity of operations as well as on the efficiency, effectiveness and economy of operations.

In 2011, there were 21 audits completed that had the objective to assess the efficiency, effectiveness or economy of operations, which is the same as in the previous year. Out of them 16 audits were exclusively performance audits while five audits also had the objective to express an opinion on the regularity of operations. Performance audits were audits of operations of non-commercial public service providers, commercial public service providers, individual ministries and other users of public funds. Audits with the sole objective to assess efficiency, effectiveness or economy of operations, represent 22.5 percent of all reports issued in 2011, which means that the share from the year 2010, i.e. 30.4 percent, was reduced by eight percent. For the second consecutive year, this is mainly a consequence of an unexpectedly large number of referendum campaign organisers.

Timeliness and quality of audit reports

Timeliness of an audit report is the most important and easy measurable element in a mandatory regularity audit of the implementation of the state budget, since the time limit for its completion is defined by the

Public Finance Act. It is also the most extensive audit of the Court of Audit. Therefore its implementation and timeliness were given a lot of attention and audit work. Audit report on the proposed annual financial statement of the state budget for 2010 was issued within the time limit defined by the Public Finance Act. The year 2011 saw the issue of 34 regularity audit reports concerning the financing of referendum campaigns by legislative referendum organisers. There were six referendum campaigns audited:

- legislative referendum on the Act Ratifying the Arbitration Agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia (**one audit report issued**);
- legislative referendum on the Radiotelevizija Slovenija Act (**13 audit reports issued**);
- legislative referendum on the Mini Jobs Act (**12 audit reports issued**);
- legislative referendum on the Pension and Disability Insurance Act (**two audit reports issued**);
- legislative referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act (**two audit reports issued**);
- legislative referendum on the Prevention of Illegal Work and Employment Act (**four audit reports issued**).

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

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

Quality of audit reports is provided by the internal quality assurance process and statutory procedures. Therefore each detailed audit plan, draft audit report and proposed audit report is reviewed by the advisers to the Deputy Presidents and, where necessary, by the legal department. They mainly examine compliance with audit standards and regulations. Before a final audit report is signed by the President, it is also reviewed by the editorial board for linguistic, legal and audit appropriateness. The quality assurance is promoted also by a clearance meeting as defined by the Court of Audit Act. At the clearance meeting, an auditee may file an objection against any audit finding in a draft audit report or give additional explanations. No clearance meeting is necessary if the auditee notifies the Court of Audit in writing that no finding in the draft audit report is challenged. If not successful at the clearance meeting, the auditee can file an objection to the proposed audit report. The Senate of the Court of Audit, composed of the President and both Deputy Presidents, decides on any disputed finding in the proposed audit report and its decision is final.

Strategic objective 2

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

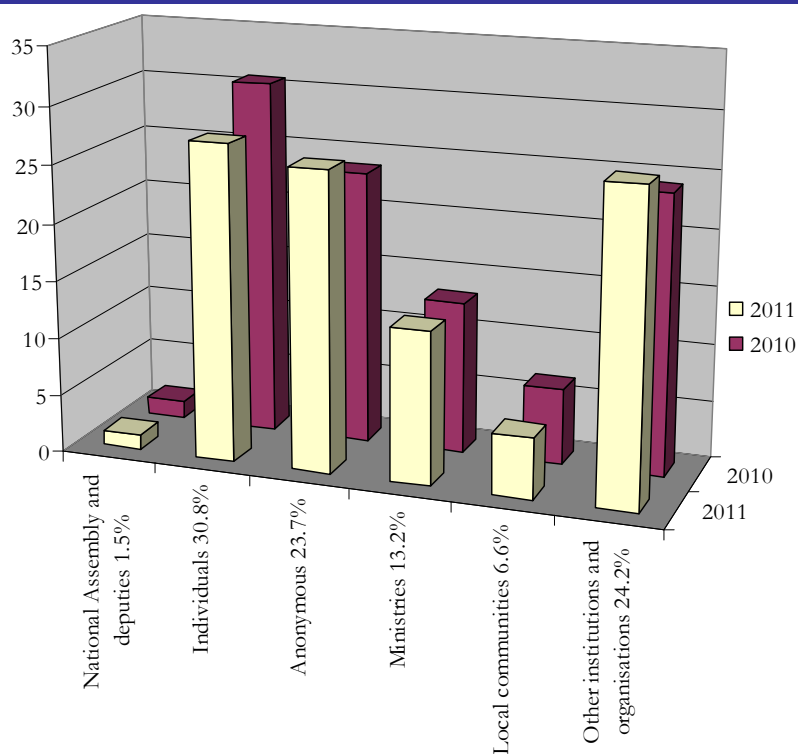
Every year the Court of Audit designs a programme for the performance of audit responsibility, which indicates audits that are planned for the year concerned. When defining the Annual work programme, the Court of Audit, aside from its statutory obligations, considers the materiality of users of public funds as well risk of irregular or unsound operations in respect of budget volume, control over the use of public

funds, possible outputs of audits and received initiatives of the National Assembly, individuals and current media publications. Since the circumstances alter during the Annual work programme implementation, the Court of Audit corresponds to those changes and revises the Annual work programme if necessary. Namely, in 2011 the Court of Audit additionally included 30 audits in the Annual work programme as the response to new circumstances, which is four more than in 2010; and 13 audits were deleted from the work programme, which is two more than in 2010. As many as 23 out of 30 audits issued during the year 2011 concerns referendum campaign organisers.

Received initiatives for auditing

In the year 2011, the Court of Audit received 452 initiatives for the implementation of audits, which is 43 more than in the previous year, i.e. the increase of 11 percent. This upward trend has been observed in the past few years. The Court of Audit received 409 initiatives in 2010 while in 2009 it received 274 initiatives. For the second consecutive year, most of the initiatives were made by individuals respectively groups of individuals, i.e. 124 initiatives, which is comparable to the previous year (126 initiatives in 2010). Different legal entities (companies, institutions, public companies, institutes, societies and associations) made 121 initiatives, which is 23 more than in 2010. Included are also two initiatives by the Prosecution Service and 66 initiatives by the Commission for the Prevention of Corruption (43 initiatives in 2010). They are followed by anonymous initiatives, 117 of them, which is 20 more than in the previous year. The National Assembly made six initiatives. Governmental offices, ministries and subordinated bodies of the ministries made 60 initiatives (54 in 2010), including five initiatives made by Tax Administration of the Republic of Slovenia and 14 initiatives made by the Police. Local community authorities delivered 24 initiatives (three less than in 2010). The highest share of initiatives is related to proposals for auditing local communities (170) and to proposals for auditing non-commercial public service providers and societies (128 initiatives). The share of received initiatives by submitters in 2011 and comparison to the year before is illustrated in Figure 2.

Figure 2: Initiatives for the implementation of audits by submitters in 2011 and comparison to 2010



Pre-audit enquiries

The Court of Audit Act provides for the conduct of a pre-audit enquiry. The Court of Audit may, prior to the commencement of an audit, demand from the user of public funds to provide all information which they consider relevant to their audit, including bookkeeping documents, data and other documentation, and make other enquiries necessary for the planning or performing the audit. Due to urgent issues arising from the activities of public sector, the Court of Audit in 2011 initiated two pre-audit enquiries and issued two reports on the pre-audit enquiries implemented. The reports on the implemented pre-audit enquiries include risk assessments and proposals whether audits should be included or not in the Annual work programme for the performance of audit responsibility of the Court of Audit.

Initiatives received from the National Assembly

In 2011, the Court of Audit received six initiatives made by deputies of the National Assembly respectively Commission for Public Finance Control, which is equivalent to the previous year.

Table 1: Proposals for the implementation of audits, received in 2011 from the National Assembly

Seq. No.	Submitter	Description of proposal
1	Commission for Public Finance Control	Audit of operations of the Fund for Financing Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant, from 1 January 2010 to 15 March 2011
2	Committee on Local Self-Government and Regional Development	Regularity audit of the procurement of goods and services at the Office of the Government of the Republic of Slovenia for Local Self-Government and Regional Policy
3	Commission for Public Finance Control	Regularity and performance audit of operations of the Securities Market Agency of the Republic of Slovenia
4	Deputy group of Slovenian National Party	Regularity audit of operations of the Slovenske železnice (Slovenian Railways) company and performance audit of the State capital injection for Slovenske železnice
5	Deputy group of Slovenian Democratic Party	Regularity and performance audit of operations of the Ministry of the Environment and Spatial Planning and other spatial planning stakeholders in procedures of placing development axis 3, 3a and 4 in the period from 1 January 2009 to 31 October 2011
6	Inquiry Commission with President Alenka Jeraj, National Assembly deputy	Audit of projects of renovating and extending the facilities of the University of Primorska as well as projects of housing and purchasing of residential facilities and accompanying garage facilities or areas in the Municipality of Ljubljana.

The Court of Audit included the initiatives made by deputies of the National Assembly respectively Commission for Public Finance Control in 2010 in the Annual work programme for the performance of audit responsibility for the year 2011, as provided for in the second paragraph of Article 25 of Court of Audit Act. It is necessary to stress out that the realisation of the initiatives made by deputies of the National Assembly respectively Commission for Public Finance Control is in different stages of audit procedure, whereby some audit reports based on the initiatives shall be issued in 2011. The initiatives made by deputies of the National Assembly respectively Commission for Public Finance Control in 2011 were considered by the Court of Audit when adopting the Annual work programme for the performance of audit responsibility for the year 2012.

Strategic objective 3

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

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

The Court of Audit also promotes the improvements of operations by advising and training that shall be presented in more detail under the strategic objective 4: to further increase the advisory role of the Court of Audit.

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

Savings

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

Audit report: Site selection for the intermediate and low level radioactive waste disposal facility

In its audit report on the site selection for the intermediate and low level radioactive waste disposal facility, the Court of Audit of the Republic of Slovenia warned that due to the siting of the disposal facility in the amount of EUR 86.2 million, payment of compensation to those municipalities that are not located in the impact area of the intermediate and low level radioactive waste disposal facility (within 500 metres) is considered uneconomic and contrary to the Ionising Radiation Protection and Nuclear Safety Act (hereinafter: ZVISJV). The Ministry of the Environment and Spatial Planning was requested to prepare a plan of activities to align the provisions of the Decree on the Criteria for Setting Compensation Level Payable for Limited Use of Space within the Area of a Nuclear Facility with ZVISJV. The Ministry acted in compliance with the request and also provided for the amendment of the regulation and alignment of compensation payment with the provisions of ZVISJV until December 2012. The Court of Audit warned that the Ministry planned to conduct an analysis of deviations from the existing arrangement only in February 2013, i.e. after the amendment of the regulation.

It assesses that the audit carried out and thus the cessation of payment of undue compensations brought about savings in the amount of at least EUR 86.2 million.

It is at the same time considered that the Court of Audit:

- with its warnings about the necessity of implementation of already envisaged joint activities of Slovenia and Croatia partially facilitated the inclusion of the Republic of Croatia in decision-making process and the implementation of activities for the construction of a joint and not individual intermediate and low level radioactive waste disposal facility, which will lower joint costs of the disposal facility for the amount of EUR 347.2 million to EUR 559.3 million;
- by requesting to examine the connection of protocol investments with the investment in the intermediate and low level radioactive waste disposal facility as well as clearly specify sources of financing investments provided for with protocols, it warned, from the viewpoint of the value of the investment in the disposal facility, about potential savings due to the expenditure that is not linked to the investment in the total amount of EUR 40.6 million.

Audit report: Commercial public service of distributing natural gas in the Municipality of Ptuj

Already during the audit procedure, the Municipality of Ptuj and the company Adriaplin eliminated the disclosed irregularity respectively adopted an appropriate corrective measure once it was possible to eliminate the disclosed irregularity. By concluding Annex 1 to the concession contract for the performance of a commercial public service of natural gas distribution system operator in the area of the Municipality of Ptuj, they lowered the undepreciated value of all concessionaire investments as at 31 September 2008 for the amount of EUR 115 thousand and annulled the provision on indexing the value of network investments in the amount of EUR 1.3 million.

The Court of Audit assesses that the audit carried out and thus the conclusion of Annex 1 to the concession contract brought about savings in the amount of EUR 1.4 million.

Corrective measures

The user of public funds whose operations have disclosed irregularity, inefficiency, ineffectiveness or uneconomy, must submit to the Court of Audit, unless it eliminates them during the audit procedure, its response report with corrective measures disclosed. The purpose of corrective measures is to eliminate irregularity respectively inefficiency, ineffectiveness or uneconomy and improve operations of users of public funds in the future. Time limits for the submission of a response report are in the range between 30 and 90 days, depending on the complexity of corrective measures. For some audits issued at the end of 2011 the deadline falls into 2012. Auditors of the Court of Audit assess disclosed corrective measures in the so called post-audit reports. Most of the audited users of public funds present evidence in their response reports that appropriate corrective measures for the elimination of disclosed irregularities have been taken.

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

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

The Court of Audit assesses the adequacy of corrective measures in a post-audit report. If the Court of Audit estimates that there is no adequate elimination of disclosed irregularity respectively inefficiency, ineffectiveness or uneconomy, it may issue a call for remedial action, addressed to a relevant authority which the Court of Audit considers to be able, within the scope of its powers, to take action against the user of public funds. The authority to which the call for remedial action was delivered shall submit to the Court of Audit a report on the actions taken or an explanation of the omission of action within 30 days after receipt of the call. In case of inadequate elimination of material irregularity respectively inefficiency, ineffectiveness or uneconomy, the Court of Audit shall notify the National Assembly and issue a call for the dismissal of the officer responsible and a press release.

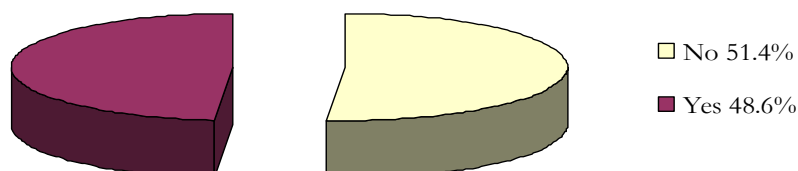
In the year 2011, the Court of Audit issued 34 regularity audit reports (out of 71 audit reports in total) concerning the financing of referendum campaigns by legislative referendum organisers. No submission of a response report was required. In the continuation, only audit reports that do not concern referendum campaign organisers shall be presented. 18 reports (out of the indicated 37) included a request for the submission of a response report, which means almost a half (48.6 percent) of audited users of public funds. This share is comparable to the year 2010 when 43.5 percent of the audited users of public funds were requested to submit a response report. In 2011, the share is thus more than five percent higher.

Audited users of public funds disclosed 166 corrective measures in their response reports. In the issued 31 post-audit reports (10 more than in 2010), the Court of Audit assessed 190 corrective measures. This represents a considerable increase compared to the previous year which saw the assessment of 82 corrective measures. 125 measures were satisfactory, 50 partially satisfactory and 15 non-satisfactory. Due to inadequate corrective measures, the Court of Audit issued a decision on violation of the requirement for operational efficiency to 17 auditees (11 more than in the previous year). Therefore it issued ten calls for remedial action to the relevant authorities which the Court of Audit considered to be able, within the scope of their powers, to take action against users of public funds (five in 2010). At two occasions inadequate corrective measures were assessed in case of material irregularity. The Court of Audit thus issued two decisions on serious violation of the requirement for operational efficiency and issued two calls for a dismissal of the officer responsible.

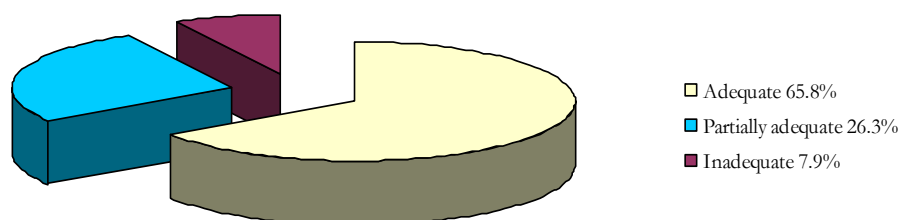
Proportions regarding requests for the submission of response reports in 37 issued audit reports and proportions regarding the assessment of the adequacy of adopted corrective measures in the issued post-audit reports are illustrated in graphs of Figure 3.

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

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



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



More important requests for corrective measures, recommendations and their implementation

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

- arrangement of relations concerning infrastructure for the performance of commercial public services;
- irregularities in the field of intermediate and low level radioactive waste disposal facilities;
- provision of funds for Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant;
- commercial public service of water regulation in the impact area of the Lower Sava River energy exploitation;
- harmonisation of general municipal acts with regulations;
- harmonisation of activities of the private institute co-founded by the Municipality;
- improvements concerning management of tangible assets of municipalities;

- efficiency of the international development cooperation system;
- costs of controls in the disbursement of European Union funds
- energy-saving restoration and sustainable construction of buildings in the public sector;
- regularity of transition to a new salary system in public institutes;
- efficiency of the retirement process implemented by the Pension and Disability Insurance Institute of Slovenia;
- regularity of operations of the Institute of Oncology Ljubljana;
- real estate recording in the Republic of Slovenia;
- preparations for the Universiade 2013;
- other fields.

Arrangement of relations concerning infrastructure for the performance of commercial public services

Corrective measures of the Government of the Republic Slovenia for the arrangement of relations concerning infrastructure for the performance of commercial public services had to relate to the preparation of the plan of activities for:

- preparation of a comprehensive strategy with clearly defined objectives for the legal arrangement of relations between the State/Municipalities and commercial public service providers as regards infrastructure for the performance of commercial public services.
- systemic regulation of infrastructure ownership for the performance of commercial public services;
- preparation of legal bases to clearly define and regulate potential relations between the State/Municipalities as infrastructure owners and commercial public service providers;
- definition of a real right which will provide for the registration of ownership of infrastructure for the performance of commercial public services in regulations as well as establishment of a record which will serve as a public register and provide data on the location and physical characteristics of infrastructure as well as data on real rights concerning infrastructure for the performance of commercial public services;
- establishment of adequate control over the determination of infrastructure as a built public asset and over the entry of such data in the land register (provider, subject and scope of control) as well as imposition of sanctions for not entering the status of a built public asset in the land register;
- definition of the targeting of income arising from the compensation for the use of infrastructure for the performance of commercial public services in relevant regulations as well as regulation of the payment thereof to the state/municipal budget.

In its response report, the Government of the Republic of Slovenia indicated that it would implement the proposed measures by amending the Public Utilities Act and adopting a new Commercial Public Infrastructure Network Act.

Site selection for the intermediate and low level radioactive waste disposal facility

Corrective measures of the Radioactive Waste Management Agency had to, inter alia, relate to the formulation of Instructions for the preparation of tender documentation in all public procurement procedures, in order to ensure that the award of service contracts be accompanied by an appropriate definition of the subject of the contract and determination of the necessary scope of work. The Ministry of the Economy was requested to prepare a plan of activities to draw up a report on the implementation

of the Treaty between the Government of the Republic of Slovenia and Government of the Republic of Croatia on the regulation of status and other legal relations regarding investment, exploitation and decommissioning of the Krško Nuclear Power Plant, as well as to prepare a plan of activities to conclude an agreement with the Republic of Croatia regarding further joint activities related to the construction of an intermediate and low level radioactive waste disposal facility by specifying planned activities, entities responsible for their implementation and relevant time limits.

The corrective measure of the Ministry of the Environment and Spatial Planning had to involve the preparation of an analysis of the existing arrangement for the determination of compensations for a limited use of land due to the siting of the intermediate and low level radioactive waste disposal facility based on the definition of areas of limited use of land and commencement of compensation payment as provided for in the Ionising Radiation Protection and Nuclear Safety Act and regulations adopted on the basis thereof.

The requested corrective measures were implemented only partially, since the Government of the Republic of Slovenia failed to define the manner of monitoring the implementation of operational programmes on radioactive waste management and did not define the method for the implementation of relevant audits. As regards protocols, it failed to draw up plans of activities in which it would define the manner of financing these protocols respectively indicate the decision not to implement them and inform the Municipality of Krško thereof. The Ministry of the Environment and Spatial Planning did not conduct an analysis of the existing arrangement for the determination of compensations for a limited use of land due to the siting of the intermediate and low level radioactive waste disposal facility based on the existing legislation that defines areas of limited use of land due to the siting of a disposal facility and commencement of compensation payment. The Agency failed to adequately define the period, subject and purpose of the performance audit concerning the efficiency and use of resources obtained from the Fund, nor did it define a time limit for the implementation of the audit and detailed criteria for the assessment of audit objectives. In consideration of the above, the three auditees were issued a decision on violation of the requirement for operational efficiency.

Provision of funds for decommissioning of the Krško Nuclear Power Plant and disposal of radioactive waste from the Krško Nuclear Power Plant

With the imposed corrective measures, the Government of the Republic of Slovenia had to specify the role and position of the Fund for Financing Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste, the Radioactive Waste Management Agency and the Ministry of the Economy in carrying out and financing the investment in the intermediate and low level radioactive waste disposal facility. Based on the defined role and position of individual institutions and in consideration of the planned organisational structure of the Fund, the Government of the Republic of Slovenia, in cooperation with the competent institutions, is required to draw up a plan of activities by specifying activities, time limits for their implementation as well as entities responsible for accounting arrangement of all costs arising from the investment, in order to provide for adequate disclosure of the investment situation and all cash flows between the cooperating institutions, which would enable, based on the accounting data, the establishment of the exact value of the investment.

The corrective measures of the Fund had to involve, inter alia, the calculation of the return on the Fund's portfolio from 2004 to 2010 as well as the analysis of investments of the Fund's portfolio based on the allowed investment structure with the illustration of deviations from investment principles adopted within

the last investment policy.

The measures were mostly implemented, yet the analysis conducted by the Ministry of the Economy to decide about an appropriate legal form of organisation for the Fund to operate in was insufficient.

Commercial public service of water regulation in the impact area of the Lower Sava River energy exploitation

Corrective measures of the Ministry of the Environment and Spatial Planning had to relate to the preparation of the plan of activities for the adoption of amendments and supplements of the Act Governing the Conditions of the Concession for the Exploitation of Energy Potential of the Lower Sava River as well as amendments of the Decree on the Method of Implementation of a Commercial Public Service relating to the Water Regulation in the Impact Area of the Energy Exploitation of the Lower Sava River, by specifying time limits and persons responsible.

The Ministry of the Environment and Spatial Planning was among other things recommended to consider the adequacy of dividing the concession fee for the exploitation of energy potential of the Lower Sava River and for the use of water infrastructure facilities between the State and local community in proportion 40: 60 in favour of the local community and to make the division subject also to the size of investments in the regulation of a particular infrastructure. Already during the audit procedure, the Infra public corporation Infra eliminated the disclosed irregularity respectively adopted an appropriate corrective measure. In its 2010 annual report, it retroactively corrected the method of disclosing the agent construction of water, state and local infrastructure and disclosed long-term operating receivables in the amount of EUR 28.5 million and short-term operating receivables in the amount of 4.8 million. In 2010, the Ministry of the Environment and Spatial Planning failed to recognise its corresponding liabilities. In its mandatory audit of the proposal of the annual financial statement of the state budget 2010, the Court of Audit in accordance with the provisions of Article 97 of the Public Finance Act required from the Government of the Republic of Slovenia to make a relevant correction, yet the Government refused to accept and comply with the proposed correction. As at 31 December 2010, the difference between the receivables of the Infra public corporation towards the Republic of Slovenia and liabilities of the Republic of Slovenia towards the Infra public corporation thus amounted to EUR 33.3. million. Deadline for the submission of the response report by the Ministry of the Environment and Spatial Planning expired in December 2011 but the final regulation of this matter will depend upon time limits defined in the plan of activities drawn up by the Ministry.

Regularity of a part of operations of the Municipality of Bohinj

The Municipality of Bohinj had to disclose the implementation of measures relating to improvements in the management of tangible assets (keeping of records, appointment of a person responsible for legal transactions, harmonisation of lease agreements with regulations) as well as to the acquisition of appropriate financial securities from contractors. The response report was assessed as adequate.

The Municipality was recommended to start activities for leasing real estate for a definite period of time in case of lease agreements concluded for an indefinite period of time before the implementation of the Decree on Physical Assets of the State, Regions and Municipalities. Even for the conclusion of lease agreements which allow for the conclusion of a direct contract, it should initiate a public bidding procedure in order to verify the actual interest and ensure equal treatment of all potentially interested

lessees. The Municipality is to establish which internal controls were not efficient respectively appropriately exercised and on the basis of such analysis prepare descriptions of particular business processes and define competences and responsibilities of employees in performing individual activities.

Regularity of a part of operations of the Municipality of Šempeter-Vrtojba

The Municipality of Šempeter-Vrtojba had to disclose the implementation of measures relating to the harmonisation of activities of the private institute co-founded by the Municipality and to improvements in the management of tangible assets (harmonisation of the Municipality rules with regulations, activities for the harmonisation of the lease agreement with the provisions of public bidding as well as the conclusion of an Annex to the lease agreement due to irregular settlement of the lease with invested assets). The response report was assessed as adequate.

The Municipality was recommended to start activities for leasing real estate for a definite period of time in case of lease agreements concluded for an indefinite period of time before the implementation of the Decree on Physical assets of the State, Regions and Municipalities. Even for the conclusion of lease agreements which allow for the conclusion of a direct contract, it should initiate a public bidding procedure, describe a business process of managing the Municipality assets, establish a system of monitoring lease payment, intensify internal control over the payment of contractual obligations and by concluding annexes to agreements standardize the method of lease adjustment.

Regularity of a part of operations of the Municipality of Maribor

The Municipality of Maribor had to disclose the implementation of measures relating to the harmonisation of general Municipal acts with regulations, harmonisation of the status of a public corporation managing building sites, harmonisation of lease agreements concluded for an indefinite period of time, reimbursement of the amount paid for investment documentation as well as irregularities established in respect of the concession for the construction of a cableway and concession for the cableway transport of passengers. The response report was assessed as adequate.

The Municipality was recommended to describe business processes of incurring liabilities, managing real estate, allocating current transfers as well as processes of public procurement. It should examine the nature of cableway public transport and based on its findings consider the eligibility of the status of an optional commercial public service and co-financing thereof. In the field of management of tangible assets, it should give special attention to the contents of agreements on the establishment of the right of superficies as regards the compensation that has to be paid to the beneficiary of the right of superficies after the cessation of the right. Before deciding on the establishment of the right of superficies, it should conduct analyses of different options.

Efficiency of the international development cooperation system

The Court of Audit requested the implementation of activities for the preparation of a uniform reporting methodology for the providers of international development cooperation as well as for the establishment of a comprehensive system of monitoring and reporting about international development cooperation for the recipients of public funds for international development cooperation. The Ministry of Foreign Affairs prepared detailed reporting instructions and samples of financing contracts as well as proposals for methods of gathering data.

Costs of controls in the disbursement of European Union funds

The managing authority was recommended to monitor the time spent for the performance of all the tasks necessary in the disbursement of European Union funds and consider also the cost aspect when defining tasks and responsibilities in procedures for the use of European Union funds. Moreover, the certifying authority was recommended to simplify procedures for the preparation of reimbursement claims in order to reduce the administrative burden of proposers.

Energy-saving restoration and sustainable construction of buildings in the public sector

The Ministry of Health was recommended to regulate ratios in respect of funds used by public institutes at the secondary and tertiary level of healthcare activities and to clearly define the method of implementing and financing investments in buildings where healthcare activities had been or would be performed. The Ministry of the Economy was recommended that in those instances where a smaller number of projects had to be selected from a wide variety of potential projects and where the owner was the Republic of Slovenia, it should define a reasonable selection methodology and formulate criteria which would be founded on realistic bases and needs enabling the most efficient and economic selection method. Office of the Government of the Republic of Slovenia for Local Self-Government and Regional Policy was recommended to above all ensure regularity of the necessary procedures in accordance with the rules on the implementation of cohesion policy and assess the contents only in exceptional cases when it was really necessary to do so.

Regularity audit concerning the transition to a new salary system

After the implementation of the cross sectional audit concerning the transition to a new salary system, which covered ten public institutes that operate in various fields of non-commercial public services (health care, education, culture, social services, science), nine public institutes were requested to implement corrective measures and submit response reports. The public institutes had to disclose the elimination of irregularities in determining and calculating salaries of civil servants after the translation respectively after 1 August 2008, in accordance with Article 3 and 3.a of the Public Sector Salary System Act.

During the post-audit procedure, the corrective measures by the Kočevje Health Centre (Zdravstveni dom Kočevje) and Slovenian National Theatre Drama, Ljubljana (Slovensko narodno gledališče Drama Ljubljana) were assessed as adequate. Measures implemented by other public institutes covered by the audit (Retirement Home, Postojna - Dom upokojencev Postojna; Social Work Centre, Ljubljana Vič-Rudnik - Center za socialno delo Ljubljana Vič-Rudnik; High School of Bežigrad - Gimnazija Bežigrad; Kranj Central Library - Osrednja knjižnica Kranj; General Hospital, Ptuj - Splošna bolnišnica Ptuj; Jarše Kindergarten - Vrtec Jarše; and Slovenian National Building and Civil Engineering Institute - Zavod za gradbeništvo Slovenije) were not entirely adequate. These institutes were thus issued a decision on violation of the requirement for operational efficiency while their managing authorities were called for action.

Corrective measures relating to or linked with the elimination of irregularities in determining nominal values of basic salaries for workplaces and basic salaries for civil servants, were not the subject of assessment since on 4 May 2011 the National Assembly of the Republic of Slovenia 2011, adopted authentic interpretation of Article 49.a of the Public Sector Salary System Act. The authentic interpretation is part of the Act and has been legally binding since the adoption of the Act. As regards the

calculation of nominal values of basic salaries under the transition to a new salary system, it undoubtedly indicates the necessity of considering quotients as defined in individual employment acts last applicable before the transition to a new salary system. This means that in the light of corrective measures from the audit and post-audit report, the determination of nominal values of salaries for workplaces and salaries for civil servants on the basis of individual acts applicable on 1 August 2008 was in accordance with Article 49.a of the Public Sector Salary System Act. The authentic interpretation does not explicitly indicate this but noting its contents and the wording of the second and third paragraph of Article 49.a, it should also be considered when determining the amount of bonuses laid down in Article 49.b, which are also considered in the determination of nominal values of basic salaries.

The assessment that other corrective measures are not entirely adequate is notably based on the fact that the institutes failed to disclose appropriate measures respectively actions in line with Article 3.a of the Public Sector Salary System Act as regards the determination and payment of excessive salaries for civil servants who were unduly promoted on 1 August respectively 1 October 2008, agreement with civil servants on the repayment of excessively paid amounts and as regards the repayment respectively payment of grade-related allowance paid too high or too low.

Efficiency of the retirement process

Audit of the efficiency of the retirement process implemented by the Pension and Disability Insurance Institute of Slovenia revealed many deficiencies, which led to the conclusion that in the period covered by the audit the Institute failed to achieve optimal effects with funds at its disposal for the implementation of its activities. For the efficiency of operations to be improved, the Court of Audit demanded the implementation of corrective measures and submission of a response report. Recommendations were issued as well. The Institute had to, inter alia, draw up a plan of activities which would:

- arrange civil records of insured persons, without which it was not possible to entirely comply with the provisions of the Pension and Disability Insurance Act;
- in accordance with statutory requirements, supplement civil records of the beneficiaries of rights with the missing data, without which it was not possible to ensure at all times that the Institute paid out pensions only to actual beneficiaries and granted only those rights they were entitled to;
- enter data in the fields added to the civil records of the beneficiaries, upgrade software as well as use the data from the civil records of the beneficiaries in the process of making pension payments;
- eliminate irregularities in decisions that included incorrect calculation of the pension rating base;
- establish methodology for the calculation of pension that would be considered in the software for the calculation of old-age pension and
- prepare comprehensive instructions for the application of the retirement process software.

During the post-audit procedure it was assessed that in its response report the Institute failed to disclose adequate corrective measures for the elimination of inefficiencies relating to civil records of the beneficiaries of rights from the pension and disability insurance. As regards the elimination of inefficiencies relating to civil records of insured persons, examination of options for the elimination of irregular decisions and IT support for the calculation of old-age pension, the Institute only disclosed partially adequate measures. It was not possible to conclude from the corrective measures disclosed by the Institute its intention to establish the number respectively the share of insured persons (out of almost 900,000) that lacks salary data and for which periods of time; when and to what extent such data would be obtained from the insured persons respectively still operating reporting agents; or on the other hand, to what extent such data would not be retrievable because they were not in the hands of the insured persons

and reporting agents were not accessible any more. Moreover, the Institute did not illustrate its intention to abandon in a reasonable period of time the existing practice of starting to retrieve salary data only after the retirement of a beneficiary. It is then considerably less certain that the reporting agent respectively company is still operating after several decades, which extends the duration of the retirement process respectively resolving of matters. It is thus not possible to assess the number respectively share of the prospective retired persons for which it will be, due to the extension of the period of the most advantageous consecutive years (from 10 to 18 and likely 30), possible to consider complete salary data for each year when assessing pension and neither will it be possible to assess the number respectively share of those for which only data that are or will be available will be considered, and how this will affect the assessed amount of pension. Due to inadequately implemented corrective measures, the Institute was issued a decision on violation of the requirement for operational efficiency while the Institute Council was called upon to act within the scope of its powers.

Financial and regularity audit of operations of the Institute of Oncology Ljubljana

The corrective measures that the Institute had to implement for the elimination of established irregularities referred to:

- activities towards the harmonisation with the Ministry of Health in respect of disclosing equipment received into its management in August 2008;
- elimination of irregularities in determining salaries and payroll accounting for civil servants in accordance with Articles 3 and 3.a of the Public Sector Salary System Act; and
- calculation of mentoring bonuses for mentoring hours determined with a relevant programme or norm, or keeping records on mentoring hours actually worked.

The measures implemented by the Institute could not be assessed as completely adequate since the Institute failed to conclude with civil servants Annexes to employment contracts valid as from 1 August 2008 respectively from the day of being employed, reassigned or unduly promoted, and did not disclose appropriate measures respectively actions in line with Article 3.a of the Public Sector Salary System Act in respect of the repayment of excessively paid salaries for the period from the translation of salaries of 1 August 2008 respectively from the day of being employed, reassigned or unduly promoted to the implementation of corrections in 2009 and 2011 for all civil servants. The Institute of Oncology was issued a decision on violation of the requirement for operational efficiency while the Institute Council was called upon to act within the scope of its powers.

Real estate recording in the Republic of Slovenia

Measures implemented by the Surveying and Mapping Authority of the Republic of Slovenia were not entirely adequate. It was established that the real estate register did not include all the data determined by legal bases (17 pieces of data in total) yet it included data not determined by legal bases (five pieces of data in total). The Surveying and Mapping Authority presented the planned measure - intention to prepare a proposal for the adoption of amendments and supplements of the Real-Estate Recording Act, which would provide for the adaptation of the legal basis according to the actual state of register data. However, at the time of issuing the post-audit report, the Court of Audit made an assessment that this planned measure alone did not provide sufficient assurance that until 31 December 2011 at the latest, the register would include all the data determined by legal bases (and not other). The partially implemented corrective measure does not have any financial consequences yet it indicates ongoing infringement of the existing legal acts, already established by the Court of Audit during the implementation of the audit.

Audit of preparations for the Universiade 2013

According to the assessment of the Court of Audit of the Republic of Slovenia, the time schedule and implementation plan for the provision of the planned investments in infrastructure facilities for the needs of the Universiade, submitted by the Municipality of Maribor, was not realistic. The funds planned for the completion of investments and the envisaged sources of finance were not provided even a good year before the Universiade. There existed a risk that the Municipality of Maribor would not be able to carry out the planned investments within the envisaged time limits. The Municipality of Ruše failed to prepare the required time schedule and implementation plan for the provision of the planned investments in infrastructure facilities for the needs of the Universiade. It merely submitted to the Court of Audit the reasons for not realising the plan for the construction of a multi-purpose hall by the beginning of the Universiade and indicated obstacles in the construction of a downhill slope and biathlon venue. Particular competition venues planned for the Universiade would thus not be constructed by the beginning of the Universiade. The Municipalities of Maribor, Ruše and Zreče did not include in the Agreement on the provision of funds for the implementation of the programme part of the 2011 Universiade the provision according to which they would provide municipal funds to Univerziada d.o.o. only if its procurement of goods and services was in accordance with the Public Procurement Act.

Other fields

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

Other measures

The Court of Audit contributes to better management of budget users not only by implementing audits, by issuing audit reports but it also carries out other activities. One of more important activities is proposing amendments to the legislation respectively proposing systematic solutions in individual fields of public sector operations.

Proposals to amend regulations

In the year 2011, the Court of Audit of the Republic of Slovenia made proposals to amend or supplement the following acts or regulations respectively warned about certain risks due to unclear provisions of particular regulations or lack of regulation in particular fields:

Public Finance Act

In various audit reports issued in the past, the Court of Audit had warned about numerous inadequate solutions in various fields within the system of public finance management. The Ministry of Finance was thus recommended to comply with the solutions indicated by the Court of Audit when supplementing the Public Finance Act.

The focus of the remarks was on the following:

- medium-term fiscal framework and fiscal rule;

- deficit and debt (borrowing) management;
- objective- and result based budget;
- treasury single account system;
- accounting;
- definition and use of terms;
- other proposals of new solutions.

Moreover, the Court of Audit also provided proposals to the Accounting Act, Officials in the State Administration Bodies Act and Minor Offences Act.

Rules on the Prices of Medicinal Products for Human Use - it is questionable whether the pricing system ensures optimal prices of medicinal products.

Production of and Trade in Illicit Drugs Act does not provide for adequate solutions and bases for exercising efficient control in this area and management thereof.

Act on Quality and Safety of Human Tissues and Cells Intended for Medical Treatment does not provide for sufficient and clear regulation of the field concerned - inefficient control.

Rules on Drinking Water - the work of the Health Inspectorate of the Republic of Slovenia hinders the implementation of provisions on water supply system operators.

Cooperation with the Police and the Prosecution Service

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

Criminal offences

In the year 2011, the Court of Audit filed four criminal complaints at the competent District Prosecutor's Offices.

The National Assembly adopted the amended Criminal Code which also enacted a new criminal offence that incriminates misuse of public funds as well as introduced other amendments which will facilitate criminal prosecution in the field of unlawful misuse of public funds. This is based on the new Article 257.a under the chapter Criminal Offences against Official Duty, Powers Conferred by Public Law and Public Funds, which was formed also with the help of the Court of Audit. The new criminal offence involves the punishment of an official, civil servant or other person authorised by the user of public funds, who in procuring, obtaining and managing such funds deliberately violates regulations, gives up the required control or causes unlawful or unintentional use of public funds in some other way, even though they expect or should expect that owing to this there can come (and does come) to a considerable pecuniary loss. The penalty for this criminal offence is imprisonment for the period from three months to five years plus financial penalty, or in the case of a considerable pecuniary loss, imprisonment for the period from one to eight years plus financial penalty.

As regards the adoption of the amended Criminal Code, the President of the Court of Audit also

participated at the public presentation of opinions in the National Assembly.

Minor offences

On the basis of audit findings, the Court of Audit made six proposals to the Internal Affairs Inspectorate of the Republic of Slovenia to initiate minor offence proceedings.

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

Based on its regularity audit of operations of the Jožef Stefan Institute, the Court of Audit proposed to the Constitutional Court of the Republic of Slovenia to assess the constitutionality of Article 49.a of the Public Sector Salary System Act in the section that concerns the supplement introduced by the authentic interpretation of Article 49.a of the Public Sector Salary System Act as well as to repeal disputable provisions of Article 49.a of the Act in the section that relates to the wording of the authentic interpretation.

In 2011, the Court of Audit received Constitutional Court's Decision No. U-I-257/09-22 of 14 April 2011, in which the Constitutional Court considered the initiative given in 2009 by the Court of Audit in its performance audit of providing a commercial public service of transmission and distribution system operator and decided the following:

- 4th and 44th indent of Article 4, 1st and 2nd sentence of 2nd paragraph of Article 27 as well as 1st and 2nd indent of point a) of Article 87 of Energy Act are not in accordance with the Constitution of the Republic of Slovenia. The unconstitutionality must be eliminated by the National Assembly of the Republic of Slovenia within the period of one year after the publication of this provision (by 20 May 2012);
- 3rd paragraph of Article 20, Article 21 and Article 34, in the section that concerns average connection costs, of General Conditions for Connection to the Distribution Electric System shall be repealed as from 1 January 2012;
- 4th and 6th indent of 1st paragraph of Article 9, Article 14, 1st and 2nd paragraph of Article 17 as well as Article 31 of the Act Determining the Methodology for the Calculation of Network Charge and Methodology for Setting the Network Charge, and the Criteria for Determining Eligible Costs for Electricity Networks; 2nd paragraph of Article 22, in the section that concerns average connection costs, and Article 23 of Decree on General Conditions for the Supply and Consumption of Electricity shall be repealed immediately, since they are not in accordance with the Constitution of the Republic of Slovenia;
- Article 81 and Article 90 of the Act Determining the Methodology for the Calculation of Network Charge and Methodology for Setting the Network Charge, and the Criteria for Determining Eligible Costs for Electricity Networks shall be repealed immediately, since they are not in accordance with the Constitution of the Republic of Slovenia.

Strategic objective 4

To further increase the advisory role of the Court of Audit

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

Responding to questions

In 2011, the Court of Audit gave 154 responses to public finance questions, which is comparable to the year 2010 when it gave 162 written responses to the users of public funds.

Members of the Court of Audit and its Supreme State Auditors advised based on the requests by users of public funds especially to local communities and non-commercial public service providers, followed by the ministries, their subordinate bodies and commercial public service providers. In recent years, the complexity of questions has been increasing, which requires more time for them to be answered.

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

- introduction of monthly subsidies for children not attending kindergartens;
- management of free cash and real estate by public institutes established by a local community;
- ensuring eligible use of funds for the implementation of programmes of non-governmental organisations and societies;
- final annual accounts of costs of healthcare services as well as eligible use of funds;
- various aspects of the salary system: systematisation, classification of employees into salary grades, their promotion, determination of salaries and payroll accounting as well as determination and payment of various bonuses (for example, for irregular working time, shift work, mentoring);
- reimbursement of various costs related to work (meals, travel to work, domestic and foreign business travel);
- rights of employees to various benefits (accident insurance, voluntary pension insurance, use of business mobile phones for private purposes);
- payment of work carried out under work contracts and other contracts under civil law;
- public procurement of material, services and fixed assets;
- submission of a bank guarantee by subcontractors and signature of a contract with a tenderer in the insolvency proceedings;
- harmonisation of prices of social security services;
- sources and methods of financing commercial public services respectively accompanying activities (powers conferred by public law);
- non-cash contributions in public companies respectively sale of commercial public infrastructure;
- allocation of transfers,
- management of tangible assets,
- calculation of public utilities charge and the payment thereof;
- work of the municipality supervisory boards;

- rights of non-professional municipal officials (reimbursement of costs, attendance fees, payment for the performance of duties);
- temporary financing of municipalities;
- payment deadlines;
- election campaign financing at local level;
- deadline for the opening of an account in case of early elections;
- education costs for judges mediators; and
- other fields.

Education of budget users and other public

Members of the Senate, Supreme State Auditors and other representatives of the Court of Audit also in 2011 continued with best practice of sharing their experience and audit findings with budget users from different sectors and segments.

Regional consultations with the representatives of local communities

The Court of Audit of the Republic of Slovenia, in cooperation with municipalities, started with the second cycle of regional consultations with mayors of municipalities, directors of municipal administrations respectively entities responsible for the field of finances. Such consultations with municipalities had already been organised in the years 2007 and 2008, whereby the Court of Audit had sent its final report to the National Assembly of the Republic of Slovenia, the Commission for Public Finance Control, the then Ministry of the Environment and Spatial Planning as well as two other government offices.

The consultations have been aimed at exchanging opinions, positions and questions related to public finance management in municipalities. The first of the regional consultations with the representatives of all Slovenian municipalities planned for the period 2011-2012 took place in the Municipality of Celje in March.

The participants were welcomed by Bojan Šrot, Mayor of the Municipality of Celje, who acknowledged the importance of such cooperation with the Court of Audit as part of preventive action and highlighted the problems that municipalities are faced with when implementing increasing obligations imposed by the legislation and applying inconsistent regulations. This was followed by the discussion with Dr Igor Šoltes, President of the Court of Audit, who illustrated the most common findings under local self-government audits and talked about the field of public procurement. Mojca Planinšek, Ma, Supreme State Auditor for the field of local self-government, summarised findings based on the questionnaire on the operations of municipalities in the year 2009, prepared by the Court of Audit in 2010 for all municipalities (199) excluding urban municipalities. The questionnaire contained questions from various fields which according to the Court of Audit are deemed to involve risk for the occurrence of irregularities or those fields which are marked by the biggest differences between the municipalities: borrowing, public-private partnership, right of superficies, establishment of legal entities that exclude, for example, public institutes, public funds or public companies as well as the field of salaries of civil servants. In 2011, similar questionnaire was sent also to urban municipalities. Mojca Planinšek, Ma, presented the most relevant legal opinions including property leasing, financing of political parties and councillor groups, temporary

financing, financing of societies as well as constitution of supervisory committees. A discussion with the participants followed, highlighting the issues of public infrastructure management, economy of water management, Integrity and Prevention of Corruption Act, sponsorships and Exercising of the Public Interest in Culture Act as well as some other public finance fields.

The next consultation took place in the Municipality of Kranj in April. Aside from Dr Šoltes, President, and Planinšek, Ma, Supreme State Auditor, the consultation was also attended by Samo Jereb, Supreme State Auditor, who highlighted the field of managing public companies, notably Article 43 of the Management of Equity Investments of the Republic of Slovenia Act repealing certain provisions of the Public Utilities Act that also relate to municipal rights of establishment. He also set out the provision of Article 71 of the Public Finance Act pertaining to the participation of municipalities at the meetings of public companies. He discussed the issue of transferring public infrastructure for the performance of commercial public services and to this end stressed the opinion on public finance issues expressed by the Court of Audit as regards the (non-) allowed transfer of the ownership of public infrastructure for the performance of commercial public services to commercial public service providers. In the continuation, he highlighted some issues from the field of pricing commercial public services of environmental protection.

In May, the third consultation was organised in the Municipality of Sežana. Aside from the topics from the first two consultation meetings, Samo Jereb, Supreme State Auditor, spoke in detail about the management of public companies, arrangement of relations concerning infrastructure and pricing of commercial public services of environmental protection. In addition, he presented findings under some audits related to the three fields concerned.

The fourth regional consultation took place in the Municipality of Ajdovščina in June. Dr Šoltes, President, as well as Planinšek, Ma, and Jereb, Supreme State Auditors, presented the aforementioned topics while the participants from nine municipalities raised questions from the fields of municipal infrastructure cadastre management, pricing of rents, borrowing, environmental topics, use of European Union funds, audit initiatives. They stressed the issue of assigning new tasks to municipalities and adopting a great deal of new legislation.

The fifth regional consultation took place in the Municipality of Krško in September. Present for the Court of Audit were Dr Šoltes, President, Planinšek, Ma, Supreme State Auditor, and Jereb, Supreme State Auditor. The participants from six municipalities raised questions from the field of the management of public funds and operations of municipal utility services. The mayors warned about the problems that they are faced with due to the shortfall of the planned income from the State. The municipalities are thus forced to approve revised budgets and reduce investments. Overstandardisation of some fields and rapid changing of legislation were discussed as well.

Other trainings for budget users

In March, there was a working consultation organised in Ljubljana, dealing with current matters in the field of pre-school education. Included was also the presentation of the Act on the Exercise of Rights to Public Funds in the Field of Pre-School Education and audits of the Court of Audit from the field concerned. In the field of kindergartens, the Court of Audit carried out two systems audits (provision of pre-school education in the period from 2003 to 2006 and accessibility of pre-school education) and audit of the efficiency of the functioning of the kindergarten information system. Invited to the consultation

organised by the Association of Municipalities and Towns of Slovenia were mayors and persons employed in the field of social activities. Two representatives of the Court of Audit presented some audit findings and notably recommendations already submitted by the Court of Audit aiming at improving the functioning of the preschool education system.

In May, the Brdo near Kranj Congress Centre hosted the fifth edition of Days of Municipalities and the meeting of mayors. Dr Igor Šoltes, President of the Court of Audit, held a ceremonial speech for mayors, deputy mayors, municipal administration directors, advisers and other municipality representatives. He took this opportunity to present also the cooperation with local communities from the viewpoint of preventive function performed by the Court of Audit in the framework of regional consultations.

Organised in May in Bohinjska Bistrica, there was 18th Expert meeting of economists and healthcare business executives. Dr Šoltes lectured about the Court of Audit's implementation of performance audits of the used public resources in the field of healthcare. Also among the lecturers were representatives of the Commission for the Prevention of Corruption, Constitutional Court of the Republic of Slovenia, Office of the Information Commissioner, National Review Commission and Office of the Human Rights Ombudsman.

In September, a conference about the issue of public utility sector took place in Podčetrtek. On the first day, Samo Jereb, Supreme State Auditor, participated at the round table discussing the issue of public utility sector development. On the second day, he presented current findings of the Court of Audit in the field of the performance of commercial public services of environmental protection.

In September, the Court of Audit and the Administration Academy at the then Ministry of Public Administration organised a seminar entitled Efficient Management of Public Funds for civil servants. The purpose of the seminar was to warn about the issue of the use of public funds in the functioning of the public sector, notably as regards irregularity, inefficiency, ineffectiveness and uneconomy established by the Court of Audit as a control institution. The findings were summed up in a transparent commentary by individual topics in order to provide assistance and support in establishing legal and good practice for the users of public funds. The lecturers, Supreme State Auditors, spoke about the most frequently established irregularity respectively inefficiency, ineffectiveness and uneconomy in the use of public funds, provided concrete examples and discussed public finance topics which have reasonably been given special attention.

In October, a round table Regional Practice of Public Works Contracts took place in Maribor at the Regional Engineers Day organised by the Slovenian Chamber of Engineers. Aleksander Petrovčič, Adviser to the President, held a lecture about the establishment of efficient public procurement.

In October, an expert consultation of the General Police Directorate - Criminal Police Directorate took place in Gotenica. Zoran Mladenovič, Second Deputy President, discussed forms of corruption in the work of inspection services as well as risks of corruption with inspectors and auditors. He presented regulations from the field of auditing and audit procedures and spoke about the role of commercial auditors.

In November, organised in Radenci by the Statistical Office of the Republic of Slovenia and Statistical Society of Slovenia, Statistical Days 2011 took place - 21th international conference of statisticians entitled Role of Statistics in Managing Economic Imbalances. At the expert meeting of statisticians, data providers and users of statistical data, Dr Igor Šoltes, President of the Court of Audit, participated at the panel discussion: Statistics and the Management of Macroeconomic Risks, where opinions on the main

conference topic were expressed by the representatives of all the institutions involved in the management of economic imbalances, i.e. Court of Audit, Bank of Slovenia, Directorate General Statistics at the European Central Bank, Directorate for National and European Accounts at Eurostat, Budget Directorate at the Ministry of Finance and National Accounts Sector at the Statistical Office of the Republic of Slovenia.

In November at Brdo near Kranj, the Radioactive Waste Management Agency and the Brdo Protocol Service organised a conference on state property management. Present at the conference, was Samo Jereb, Supreme State Auditor, and his associates.

In November, the Chamber of Commerce and Industry of Slovenia organised a consultation in Ljubljana entitled Open Questions in case of Bankruptcy of the Selected Tenderer respectively Leading Partner in Public Procurement Relations, attended by renowned Slovenian legal experts, including Dr Igor Šoltes, President of the Court of Audit.

In November in Ljubljana, Greenpeace Slovenia in cooperation with the Commission for the Prevention of Corruption, the Office of the Human Rights Ombudsman, the Office of the Information Commissioner and the Court of Audit of the Republic of Slovenia organised an educational workshop for the representatives of (especially) environmental non-governmental organisations, civil initiatives and associations. At the workshop, Dr Igor Šoltes, President of the Court of Audit, gave a lecture about the competence for exercising control over (environmental) investments of public sector respectively public companies performing operations from the field concerned as well as about the criteria for assessing the efficiency of the use of such funds.

In December, upon the invitation of Samo Hribar Milič, Ma, President of the Chamber of Commerce and Industry of Slovenia (CCIS), Dr Igor Šoltes, President of the Court of Audit, attended the third session of the CCIS assembly in Ljubljana and lectured about the role of the Court of Audit in exercising public finance control.

Strategic objective 5

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

Work that is implemented by the employees of the Court of Audit must be professional and of high quality. This has a strong influence on the mandatory training of resources and continuous obtaining of skills of all employees by different training programmes. The financial plan of the Court of Audit for 2011 earmarked financial resources in the amount of EUR 45,000 for different expert trainings (i.e. seminars, workshops, consultations and congresses). Due to the amendments of the budget of the Republic of Slovenia, the financial plan of the Court of Audit was reduced as well. In the established budget for the year 2011, the amount earmarked for this purpose, was thus EUR 29,000. At the end of 2011, its realisation amounted to EUR 23,441.26. In line with the plan, the employees attended the following forms of trainings:

Training of human resources for obtaining a professional level of education

In 2011, there was no internal call for the conclusion of contracts on education. At the end of 2011, the Court of Audit had 12 contracts on education concluded, namely nine for post-graduate and three for graduate studies.

Training of human resources for obtaining skills

In line with the regulations, the employees of the Court of Audit have been attending trainings for obtaining the title state auditor, certified state auditor, and for a bar exam, as well as training for persons having access to classified information. Three employees attended and successfully completed the training for obtaining the title state auditor in 2011 and five employees were awarded the title certified state auditor. One employee passed the bar exam. At the end of 2011, there was one employee that had a contract on training for obtaining the title state auditor and four employees for the title certified state auditor. One employee passed the bar exam while one civil servant had a contract on the preparation for taking the bar exam.

Upgrading the knowledge of human resources

Training was organised in the form of external and internal seminars and seminars abroad. Funds allocated for training were divided among the departments based on the number of employees in a particular department. There was one internal seminar completed that included four topics:

- training according to the Integrity Plan of the Court of Audit and the Integrity and Prevention of Corruption Act (conflict of interests, protection of reporting persons and lobbying);
- IT contracts;
- filing of criminal complaints at the Court of Audit;
- experience of the Court of Audit in granting the right of superficies in respect of the property of the State and municipalities.

Strategic objective 6

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

Cooperation with the National Assembly

The National Assembly of the Republic of Slovenia has to discuss audit and annual reports of the Court of Audit as defined by the Court of Audit Act. Therefore the Court of Audit delivers all issued audit reports to the National Assembly. The reports are considered by the Commission for Public Finance Control (hereinafter: Commission). In 2011, the Court of Audit continued with the preparation of questionnaires for discussions about audit reports at Commission's meetings, since the questionnaires were helpful to the members of the Commission in considering individual audit reports.

In 2011, the Commission for Public Finance Control in the framework of 14 regular meetings addressed 18 reports of the Court of Audit (11 more than in the previous year), 11 post-audit report (10 more than in the previous year), two notifications on serious violation of the requirement for operational efficiency and the Annual report of the Court of Audit for the year 2010. The Commission invites the President of the Court of Audit, other representatives of the Court of Audit as well as representatives of audited users of public funds to all its meetings where it discusses the Court's reports.

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

No. of meeting	Date	Audit report
23 rd regular	21/1/2011	<ul style="list-style-type: none"> • Compensation payment and construction of Pluska–Ponikve motorway section overpass
1 st follow-up of 21 st meeting	25/1/2011	<ul style="list-style-type: none"> • Continued consideration of the proposal of the annual financial statement of the state budget 2009
25 th regular	22/2/2011	<ul style="list-style-type: none"> • Post-audit report on the efficiency of the gratuitous transfer, purchase and sale of capital investment in the share of the company Splošna plovba, d. o. o., Portorož • Notification on serious violation of the requirement for operational efficiency
27 th regular	18/3/2011	<ul style="list-style-type: none"> • Remediation of old burdens of industrial waste and unauthorised construction waste landfills – audit and post-audit report
28 th regular	31/3/2011	<ul style="list-style-type: none"> • Concession fee and water reimbursement for the exploitation of the Lower Sava River energy potential – audit and post-audit report
29 th regular	7/4/2011	<ul style="list-style-type: none"> • Adoption of a report with recommendations about the consideration of the item: Audit report: Remediation of old burdens of industrial waste and unauthorised construction waste landfills • Public debt of the Republic of Slovenia from 2003 to 2006 – audit and post-audit report • Annual report of the Court of Audit for 2010
31 st regular	10/5/2011	<ul style="list-style-type: none"> • Post-audit report: Compensation payment and construction of Pluska–Ponikve motorway section overpass • Notification on serious violation of the requirement for operational efficiency • Implementation of tasks of the Budget Supervision Office of the Republic of Slovenia – audit and post-audit report • Accessibility of pre-school education
32 nd regular	26/5/2011	<ul style="list-style-type: none"> • Adoption of a report with recommendations about the consideration of the item: Audit report: Accessibility of pre-school education • Financial and regularity audit of operations of Pension and Disability

No. of meeting	Date	Audit report
		<p>Insurance Institute of Slovenia in the year 2009</p> <ul style="list-style-type: none"> Financial and regularity audit of operations of Health Insurance Institute of Slovenia in the year 2009 Operations of Slovenian Research Agency – audit and post-audit report
22 nd regular	8/6/2011	<ul style="list-style-type: none"> Adoption of a report with recommendations about the consideration of the item: Audit report: Operations of Slovenian Research Agency Implementation of recommendations based on the consideration of audit report Arrangement of the performance of a commercial public service of electricity distribution system operator Disbursement of funds from the European Union budget
34 th regular	30/6/2011	<ul style="list-style-type: none"> Rural development in the Republic of Slovenia – audit and post-audit report Adoption of a report with recommendations about the consideration of the item: Audit report: Disbursement of funds from the European Union budget
35 th regular	6/7/2011	<ul style="list-style-type: none"> Elimination of the backlog of cases Public railway infrastructure development – audit and post-audit report
36 th regular	12/7/2011	<ul style="list-style-type: none"> Adoption of a report with recommendations about the consideration of the item: Audit report: Rural development in the Republic of Slovenia Adoption of a report with recommendations about the consideration of the item: Audit report: Elimination of the backlog of cases Adoption of a report with recommendations about the consideration of the item: Audit report: Public railway infrastructure development Real estate recording in the Republic of Slovenia – audit and post-audit report
37 th regular	7/9/2011	<ul style="list-style-type: none"> Operations of the Office of the President of the Republic of Slovenia System of awarding, assessing and paying exceptional pensions – audit and post-audit report
38 th regular	12/10/2011	<ul style="list-style-type: none"> Adoption of a report with recommendations about the consideration of the item: Audit report: Elimination of the backlog of cases Adoption of a report with recommendations about the consideration of the item: Audit report: Real estate recording in the Republic of Slovenia

International cooperation

In the year 2011, objectives of international action of the Court of Audit of the Republic of Slovenia were again to strengthen cooperation with other supreme audit institutions and with its participation at international seminars enhance the capacity and skills of the employees as well as become a well established and recognised audit institution on both European and world scale.

50 representatives of the Court of Audit participated at 35 meetings abroad. 43 inputs were made, which means that the activity of the experts of the Court of Audit was two percent higher than in the previous year. The Court of Audit organised one workshop taking place in Ljubljana. It hosted seven foreign delegations.

Representatives of the Court of Audit attended all the meetings related to preparations of Contact Committee meetings and were present at all the meetings of working groups they have been involved in. In the year 2011, three bilateral meetings with the highest representatives of supreme audit institutions abroad took place. Several presentations of the work of the Court of Audit were provided to groups of representatives of various foreign institutions.

Several activities took place in the framework of the European Organisation of Supreme Audit Institutions (EUROSAI). There was a congress of this organisation organised and experts of the Court of Audit attended meetings of EUROSAI working groups they have been involved in. In the framework of the International Organisation of Supreme Audit Institutions (INTOSAI), the Court of Audit participated at an international conference.

Experts of the Court of Audit also attended several conferences, consultations and seminars with topics that concern supreme audit institutions.

Cooperation within the Contact Committee

Contact Committee is a forum attended by all the representatives of supreme audit institutions of the European Union. Various working groups operate within the Committee. In the year 2011, the representatives of the Committee again met in Luxembourg. One of the most important topics was the influence of the European Semester as well as other development concerning economic management of the European Union on supreme audit institutions and the European Court of Audit. The meeting was attended by two representatives of the Court of Audit. As part of preparations for this meeting, there was a *meeting of the representatives of supreme audit institutions of the European Union* organised. The latter also involved states that have been in the process of accessing to the European Union. The meeting which took place in Bulgaria was also attended by a representative of the Court of Audit of the Republic of Slovenia.

There was a slight decrease in the number of working groups within the Contact Committee, since in 2011 two groups completed their work. With the issue of the joint audit, the work of the *Working Group on Structural Funds* was completed. There was a closing meeting organised in Bonn and the representatives of this working group presented the report to several European Commission directorates in Brussels. The Court of Audit is a member of the core Working Group on Structural Funds and both meetings were thus attended by two of its representatives. Also the *Working Group on a Joint Audit of the Supreme Audit Institutions of Hungary, Italy, France and Slovenia* as regards the construction of the railway line from Lyon to Budapest,

in the framework of the use of funds for the development of Trans-European Transport Networks (TEN-T), completed its work by signing their joint audit. The meeting for the preparation of this report took place in Budapest and was also attended by one of the auditors of the Court of Audit.

In 2011, the seminar on the *Comparison of Methodology of Fiscal Policy* took place in Stockholm, with the participation of an expert of the Court of Audit.

Aside from the meetings of working groups, a seminar on the *European Stability Mechanism* was organised, with the involvement of the supreme audit institutions of those European Union Member States which have Euro as their currency. The Bonn seminar was attended by one of the supreme state auditors of the Court of Audit.

The year 2011 saw the commencement of work by a new working group comprising of 13 European Union supreme audit institutions. Its objective is to prepare a joint audit report on the transport of waste. One auditor attended the meeting in Haag.

Bilateral cooperation

In 2011, Dr Šoltes, President of the Court of Audit of the Republic of Slovenia, visited the Supreme Audit Institutions of Bulgaria, Croatia and Poland. During the Bulgaria visit, the President of the Court of Audit received an honorary citation at the University of Sofia. Representatives agreed on further cooperation with the institutions that organised visits.

The Court of Audit welcomed the delegation of the Supreme Audit Institution of Croatia. During this working visit, representatives of both institutions agreed to implement a new joint audit in the future.

At the Court of Audit, delegations of the Supreme Audit Institution of Macedonia, the Moldova Public Procurement Agency and Serbian National Assembly got acquainted with some segments of the Court of Audit activities while an expert for auditing government economic efficiency and auditors of the Court of Audit exchanged views on government auditing. The Court of Audit also hosted information technology experts of the Supreme Audit Institution of Slovakia, who were presented its work in the field concerned. Prior to the elections that took place at the end of 2011, the Court of Audit was visited by the Evaluation Committee of OSCE Office for Democratic Institutions and Human Rights, which got acquainted with the process of auditing reports of election campaign organisers.

The Court of Audit completed the evaluation which was prepared for the Supreme Audit Institution of Slovakia under the so called *peer-review*. Three representatives of the Court of Audit were involved in the evaluation project and two of them attended the closing meeting in Bratislava.

Cooperation within the V4+2 Group

Organised in Ljubljana by the Court of Audit of the Republic of Slovenia, a workshop took place in the framework of supreme audit institutions of the Visegrad Group, Austrian Court of Audit and Court of Audit of the Republic of Slovenia, i.e. V4+2 group. They discussed prevention and detection of corruption and the role of supreme audit institutions in this matter. At the meeting of this group in Luhačovice in the Czech Republic, a new working group was organised led by the Court of Audit of the

Republic of Slovenia. Use of information technology during the implementation of SAI activities as well as presentation of cross-border cooperation audits under operational programmes were the main topics of the Czech meeting.

Cooperation within EUROSAI

In the year 2011, a congress of the *European Organisation of Supreme Audit Institutions* (EUROSAI) took place in Lisbon. The Court of Audit was one of the rapporteurs for the topic Challenges, demands and responsibility of public administration as well as the role of supreme audit institutions. Two representatives of the Court of Audit were present at the congress. They had also attended the preparatory meetings in Haag and Lisbon.

In the framework of EUROSAI, the Court of Audit has been very active in the *Working Group on Environmental Auditing*. Participating at the meeting of this Group in Oslo and at the Stockholm seminar on waste management auditing was one auditor of the Court of Audit. She has also been a member of the Management Board of this Group.

In 2011, a joint report on *the implementation of programmes and measures for increasing employment of the disabled* was issued. This meant the completion of work by the group which, aside from the Court of Audit of the Republic of Slovenia, also involved 12 other supreme audit institutions. Two auditors attended the Warsaw meeting.

The German Federal Court of Audit organised a seminar on public-private partnership audits in Bonn, which saw active participation of a supreme state auditor of the Court of Audit.

Cooperation within INTOSAI

In Vienna, the International Organisation of Supreme Audit Institutions (INTOSAI) and the United Nations organised a symposium entitled Efficient Practices of Cooperation between Supreme Audit Institutions and Citizens for Strengthening Public Accountability. Three main topics were discussed among 130 participants from 68 states: communication between supreme audit institutions and citizens, forms of active participation of the public in state budget auditing as well as benefits of cooperation between supreme audit institutions, parliaments and citizens.

Actively involved at the symposium under the topic Communication between supreme audit institutions and citizens, was also an expert of the Court of Audit. She presented communication activities of the Court of Audit of the Republic of Slovenia during the current mandate as well as cooperation with media and various public. There were 28 studies and cases of good practice from various states around the world presented.

Cooperation within other multilateral organisations and consultations

In Serbia and Croatia, the President of the Court of Audit of the Republic of Slovenia participated at consultations on public procurement and a conference on the fight against corruption respectively. In Budapest, a seminar on the detection of corruption took place, with active participation of the Deputy

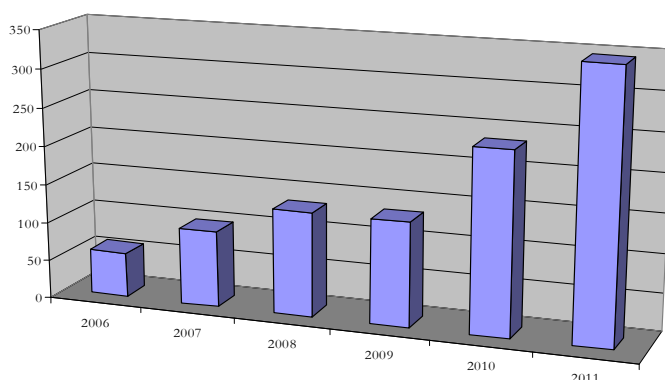
President of the Court of Audit. One auditor of the Court of Audit lectured about the transparent use of European Union funds in Belgrade. There was a seminar on the preparation of the budget organised in Berlin, attended by an expert of the Court of Audit. Also in Berlin, a regular meeting with the topic of European infrastructure and public-private partnership took place, attended by an auditor of the Court of Audit. A seminar on auditing programmes and projects financed by the European Union was organised in Barcelona, with the participation of one auditor of the Court of Audit. London saw the organisation of a workshop on the preparation of public relations strategies. One expert of the Court of Audit participated. The GRECO organisation (Group of States against corruption) prepared evaluation consultations in Washington. The President of the Court was among the lecturers. The Austrian Court of Audit celebrated its 250th anniversary in Vienna. Two representatives of the Court of Audit of the Republic of Slovenia were present.

Cooperation with the media and public

Questions posed by journalists and requests for additional explanations

In the last few years, there has been an increase observed in the number of questions posed by the media and requests for additional explanations on audit procedures and other public finance issues. In 2011, there were 345 written questions of journalists and requests for additional explanations recorded, which is 110 more than in 2010. There were also many telephone inquiries.

Figure 4: Written questions of journalists in the period from 2006 to 2011



Press conferences

From January to the end of December 2011, there were 10 press conferences held and one statement made at the issue of the following audit and post-audit reports and at the time of regional consultations:

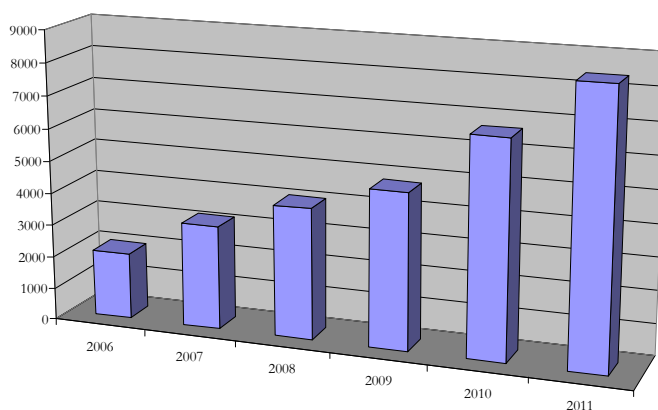
1. Post-audit report on the efficiency of the gratuitous transfer, purchase and sale of capital investment in the share of the company Splošna plovba, d. o. o., Portorož;
2. Response after the issue of the post-audit report on the efficiency of the gratuitous transfer, purchase and sale of capital investment in the share of the company Splošna plovba, d. o. o., Portorož;
3. Post-audit report on the implementation of corrective measures of DARS, d. d., in paying

- compensation and constructing Pluska–Ponikve motorway section overpass;
4. Audit report on the efficiency of operations concerning site selection for the intermediate and low level radioactive waste disposal facility.
 5. Audit report on the regularity and economy of operations concerning the provision of business premises for the Ministry of the Interior in the period from 1 January 2007 to 30 June 2010;
 6. Audit report on the provision of funds for decommissioning of the Krško nuclear power plant and disposal of radioactive waste from the Krško nuclear power plant;
 7. Regional consultation in the Municipality of Celje;
 8. Regional consultation in the Municipality of Kranj;
 9. Regional consultation in the Municipality of Sežana;
 10. Regional consultation in the Municipality of Ajdovščina;
 11. Regional consultation in the Municipality of Krško;

Statistical review of published articles in the media

The number of published articles in the media in 2011 amounted to 8,431, i.e. increase of more than one fourth, or more precisely, increase of 26.2 percent compared to the year 2010. The increased number of published articles can be attributed to the relevance of topics in audit reports, planned media activities after the issue of audit reports, regional consultations and cooperation with local communities, regular informing and good cooperation with the media following the work of the Court of Audit. The upward trend during the six-year period is illustrated in Figure 5.

Figure 5: Number of media publications in the period from 2006 to 2011



Publications on the website of the Court of Audit

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

In 2011, the Court of Audit published 146 articles on its website, which is 51 more than in 2010. Under the news section, we started publishing short summaries of audit reports. Some reports are now also accompanied by the relevant video content. The public was regularly informed about all activities, press conferences, public statements as well as other domestic and international events.

Strategic objective 7

To further improve the institution's work organisation and management

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

To this end, the UNIFlow system (with accompanying modules) was purchased. Included in the system are all printers and multifunctional devices (photocopy machines with network cards). The system enables monitoring of the number of copies made by various criteria. The use of the multifunctional devices requires user identification which ensures safe printing. This system should further rationalise the use of printers and multifunctional devices (reduction of the number of copies made and thus printing and copying costs; use of devices with lower copying costs).

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

Internal auditing

Internal auditing of the Court of Audit is carried out by an auditor appointed by the President of the Court of Audit. Rules on Accounting and Financial Operations and Rules on Internal Controls of the Court of Audit are legal bases for internal auditing. The type and scope of audits in 2011 were defined by a short-term plan of implementing internal audits.

In 2011, the internal audit of regularity of financial statements and regularity of implementing the financial plan of the Court of Audit was carried out, which according to Rules on Accounting and Financial Operations is mandatory. The subject of auditing were financial statements for the year 2010, including the balance sheet as of 31 December 2010 and statement of revenues and expenses for the period from 1 January 2010 to 31 December 2010. The audit subject was also the implementation of the financial plan of the Court of Audit for the year 2010. The audit objective was to express an opinion on the reliability and credibility of the financial statements and on the regularity of the implementation of the financial plan. The audit findings are presented in two audit reports concerning financial statements of the Court of Audit for the year 2010 and regularity of its operations in the year concerned. On the basis of reviews it was established that the financial statements showed the true picture of the account balance as of 31 December 2010 and business outcome in the period from 1 January 2010 to 31 December 2010. The implementation of the financial plan of the Court of Audit for 2010 was in all material ways in line with the regulations.

AUDIT FINDINGS

Opinions expressed in audit reports

In the issued audit reports where the objectives were either expressing an opinion on the regularity of operations or on compliance of operations with the regulations, or an opinion on financial statements, a total of 91 opinions were expressed. In 2010, there were 83 opinions expressed.

Opinions expressed within performance audits were descriptive and consisted of assessments of efficiency, effectiveness and economy of operations. In 2011, there were 21 of such opinions.

The most frequent type of opinion expressed in 2011 was an unqualified opinion. A high percentage, more than a half of all expressed opinions on the regularity and financial statements (62.6 percent), can be attributed especially to audits of organisers of referendum campaigns. To this end, it has to be stressed that such opinions cannot be taken for granted. This is confirmed by the opinions expressed in the field concerned in the past years. The Court of Audit is pleased to establish for the second consecutive year that good cooperation with auditees enables exceptional progress in ensuring regularity of reporting and operations. An additional stress has to be put on the fact that in the case of regularity of operations there were as many as 33 unqualified opinions expressed to organisers of referendum campaigns. A high number of unqualified opinions (24) to organisers of referendum campaigns was also expressed in the case of regularity of financial statements.

Should the number of the stated mandatory audits be disregarded, the most frequent type of opinion expressed in 2011 would be a qualified opinion. There were 57 unqualified opinions expressed, which represents 62.6 percent respectively an eight percent increase compared to 2010 (45.5 percent). The share of unqualified opinions has been increasing since 2007, when there were only 11 percent of unqualified opinions. They are followed by qualified opinions, i.e. 23, which is one fourth (25.3 percent). 12.1 percent of opinions were adverse opinions, issued in 11 instances. In three instances the expression of an opinion was rejected (twice for financial statements and once for the regularity of operations). The share of types of opinion expressed is illustrated in Figures 6 and 7.

Figure 6: Types of opinion expressed in 2011 - in total

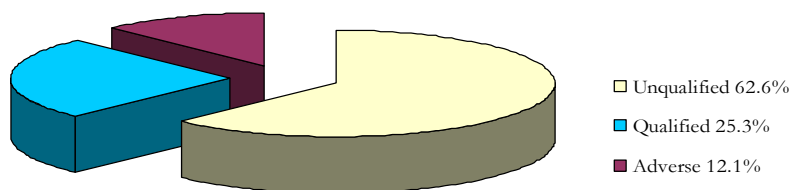
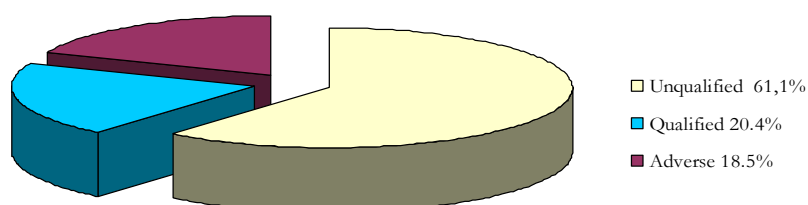
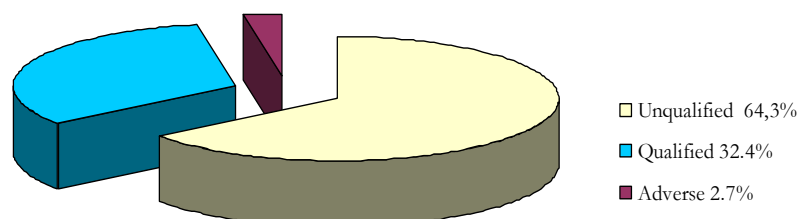


Figure 7: Opinions by audit objectives

Opinions on the regularity of operations



Opinions on financial statements



Among the audits with the objective to express an opinion on the regularity of operations, the most frequent are unqualified opinions, i.e. 33, which is 61.1 percent respectively 15 percent more than in 2010 (46.1 percent). They are followed by qualified opinions, i.e. 11, which represents 20.4 percent. This is half less than in the previous year (40.4 percent). There were ten adverse opinions expressed, which is 18.5 percent of the total share. Compared to the year 2010, the share increased for five percent (13.5 percent),

but it is comparable to the year 2009 (22.6 percent). The most common reasons for expressing qualified opinions and adverse opinions were violations of acts and other rules that regulate the financing of users of public funds.

In the case of financial audits, the Court of Audit expressed as many as 24 unqualified opinions, which represents 64.9 percent. In 2010, there were 72.0 percent such opinions, which means that the share of unqualified opinions decreased for seven percent but is still substantially high at the hands of the organisers of referendum campaigns. Qualified opinions follow. There were 12 of them, which is 32.4 percent; the share of such opinions in 2010 amounted to 24.0 percent. For the second consecutive year there was just one adverse opinion expressed. This represents only 2.7 percent of all opinions, which is even lower than in 2010 (4 percent).

Most common errors and irregularities

The Court of Audit carries out audits of the regularity of operations of users of public funds by reviewing compliance with regulations. Operations of users of public funds are regulated by a number of acts and regulations, namely their financial operations are regulated by legislation from the broad field of public finance, the accounting and payment of salaries of employees is regulated by labour legislation while operations of budget users are regulated also by many other relevant regulations. The most common errors and irregularities, disclosed in 2011 by the Court of Audit in its audit reports, are put forward in the continuation of the report.

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

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

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

Irregularities were also established in the field of public procurement in local communities since public contracts were not awarded appropriately; there was unjustified implementation of a negotiated procedure with prior publication of a contract notice; a public contract was awarded by lots even though this had not been defined in the relevant tender documentation; the contract was not concluded with the most successful tenderer; there was no exclusion of incomplete tenders from the public procurement procedure; the contract was concluded after the works started to be implemented; annexes to the underlying contract were concluded contrary to regulations respectively after the completion of works.

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

Irregularities were also found in the field of management of tangible assets in local communities: municipalities failed to establish complete records on lands and buildings in their ownership; acquisition and disposal of real estate was not planned in their annual plan; municipal councils were not submitted reports on the realisation of annual plans for the acquisition and disposal of real estate; municipalities carried out real estate management procedures on the basis of incomplete individual programmes for real estate management or in the absence of such programmes; real estate management procedures were carried out without any appraisals or based on inadequate appraisals; not enough attention was given to the legal review of real estate; no person responsible for legal transactions was appointed.

In respect of the disposal of municipal real estate, the Court of Audit established, aside from the findings concerning real estate management, that the disposal of real estate was based on a direct contract which was concluded without complying with relevant conditions or observing the prescribed procedures. In the event of non-compliance with the essential condition of the contract on the sale of land, there was no procedure initiated for the annulment of the contract respectively the municipality did not act accordingly.

In respect of the acquisition of real estate, it was established, aside from the findings concerning real estate management, that in the event of infringement of the pre-emptive municipal right for land subsequently acquired by the municipality, no procedures for the annulment of the contract were initiated.

In respect of the renting of municipal real estate, it was established, aside from the findings concerning real estate management, that real estate was given for rent or free use without a prescribed procedure and for an unlimited period of time respectively for a period longer than permitted under relevant regulations;

public tender did not define criteria for the evaluation of tenders respectively criteria did not meet basic principles of real estate management; rental agreements were transferred to third legal entities without any relevant legal basis; rents charged by municipalities were too low; rents were not harmonised with the consumer price index; no procedures for the annulment of rental agreements were initiated in the event of non-payment of rents; rental agreements for land were concluded with the status of national assets.

In the allocation of transfers in local communities the following irregularities were established: transfers were allocated without a public tender; the Commission in charge of the tendering procedure for the allocation of transfers included members who were associated by interest with the recipient of transfers; the Commission failed to conduct an expert review and evaluation of applications and did not propose recipients of funds; involved in the examination of applications was an association of societies that was among the applicants; the recipient of funds was transferred more funds than provided for in the contract.

The following irregularities should be highlighted as well: irregularity in exercising control over the borrowing by legal entities of public sector at the municipal level; irregularities in the formation of legal entities where the Municipality co-founded a private institute and contrary to regulations transferred to it as a non-cash contribution real estate while the project for the construction of private institute facilities was not submitted in accordance with the regulations from the field of public procurement and public private partnership; as well as irregularities in granting a concession for the construction of a cableway, where the procedure for granting a concession was not in accordance with public private partnership regulations, the Municipality did not demand from the concessionaire the reimbursement of the amount paid for investment documentation and the price for the optional commercial public service of cableway transport of passengers was not calculated in accordance with concession contract provisions.

Among the more material irregularities in financial statements of commercial public service providers and institutes are, inter alia, the following:

- excessive depreciation costs; chargeable to revenues, also depreciation costs not recognised in the price of services were covered; consequently the state of liabilities for intangible and tangible fixed assets was too high and for the same amount too low the excess of revenues over expenses achieved in 2009, which the Institute should have used, in accordance with the Rules on Breaking Down and Measuring Revenues and Expenses of Legal Entities under Public Law, to cover the excess of expenses over revenues from the previous years;
- irregular disclosure of the value of intangible and tangible fixed assets as well as irregular disclosure of liabilities for intangible and tangible fixed assets;
- non-compliance with regulations in preparing a statement of revenues and expenses according to the types of activities;
- unjustifiable disclosure of the paid advance for the purchase of business premises under the value of buildings and the general fund of tangible and intangible fixed assets, instead of its disclosure under receivables from advances for real estate, and under accrued expenses from advances, as well as unjustifiable disclosure of long-term operating liabilities and simultaneously outstanding expenses in the same amount;
- unjustifiable disclosure of long-term operating receivables and long-term outstanding income under accrued expenses and deferred revenues in the same amount;
- no inventory of fixed assets was made; there was no basis for the Institute to harmonise the account balance with the balance established at the time of the inventory;
- analytical accounts of tangible fixed assets were not harmonised with the general ledger.

The most common irregularities in the field of employment, salaries and other work-related costs in case of commercial public service providers and institutes were the following:

- irregular determination of a basic salary of a civil servant;
- irregular calculation and payment of a long-service bonus, mentoring bonus and grade-related allowance;
- civil servants were promoted before meeting all the required conditions;
- Staff Establishment Act was not in accordance with the Public Sector Salary System Act and collective agreements; civil servants were placed to workplaces they were not qualified for;
- the Institute in employing civil servants failed to provide accessibility to workplaces to all the candidates under the same conditions, as determined by the Civil Servants Act and Employment Relationship Act;
- without finding any relevant basis in regulations respectively contrary to the Civil Servants Act, the Institute paid to all its employed civil servants premiums for their accident insurance.

Other irregularities with commercial public service providers and institutes:

- the Institute disposed of the written-off equipment on the basis of the demand and issued purchase order, which is contrary to the Act on Physical Assets of the State, Regions and Municipalities and Decree on Physical Assets of the State, Regions and Municipalities.
- contrary to the Decree on Physical Assets of the State, Regions and Municipalities, the Institute rented premises without concluding agreements with tenants respectively charging rents;
- there was insufficient control exercised over the payments under copyright contracts and work contracts; payments were based on incomplete and unauthorised documentation;
- it is not possible to establish from the accounting records all the project costs nor is it possible to establish efficiency and effectiveness of projects and the purpose of funds;
- travel orders were issued at the end of business trips, external contractors had their costs reimbursed on the basis of incomplete documents, which is contrary to Slovenian accounting standards;
- the financial plan of the Institute was not drawn up in accordance with the Public Finance Act.

Department B5, which covers performance audits of operations of all users of public funds irrespective of audit responsibility of other audit departments as well as IT audits, highlights the following:

- not clearly enough defined responsibilities, roles and/or relations between the entities in the audited field;
- new regulations or amendments of old regulations have been adopted without clearly assessing their effects, whereby subsequent analyses of effects have been conducted very rarely;
- transparency of the planning and implementation of financing is often poor;
- basic strategic documents, if any, are often inconsistent.

PRESENTATION OF WORK BY AUDIT DEPARTMENTS AND IMPLEMENTED AUDITS

The field of the state budget and direct state budget users

In 2011, the audit department B1 issued 39 audit reports and five post-audit reports. Out of the issued 39 reports, as many as 34 were regularity audits concerning the financing of referendum campaigns by legislative referendum organisers. Audits reports issued in 2011 are the following:

1. Regularity of financing the referendum campaign of the party of KJN, Koper is Our Town, for the legislative referendum on the Act Ratifying the Arbitration Agreement between the Government of the Republic of Slovenia and the Government of the Republic of Croatia;
2. Regularity of financing the referendum campaign of the party of SMS, Youth Party - European Greens, for the referendum on the Radiotelevizija Slovenija Act;
3. Offsets in the Purchase of Military Equipment;
4. Operations of the District Court of Kranj;
5. Regularity of financing the referendum campaign of the party of DeSUS - Democratic Party of Pensioners of Slovenia, for the referendum on the Radiotelevizija Slovenija Act;
6. Regularity of financing the referendum campaign of the party of N.Si, New Slovenia - Christian People's Party, for the referendum on the Radiotelevizija Slovenija Act;
7. Regularity of financing the referendum campaign of the party of ZARES, New Politics, for the referendum on the Radiotelevizija Slovenija Act;
8. Regularity of financing the referendum campaign of the Liberal Academy, Association for Political Democracy and Liberalism Research, for the referendum on the Radiotelevizija Slovenija Act;
9. Regularity of financing the referendum campaign of Andrej Magajna for the referendum on the Radiotelevizija Slovenija Act;
10. Regularity of financing the referendum campaign of the party of SLS, Slovenian People's Party, for the referendum on the Radiotelevizija Slovenija Act;
11. Regularity of financing the referendum campaign of NOVUM – Institute for Strategic and Applied Research, for the referendum on the Radiotelevizija Slovenija Act;
12. Regularity of financing the referendum campaign of the party of SD, Social Democrats, for the referendum on the Radiotelevizija Slovenija Act;
13. Regularity of financing the referendum campaign of the party of SNS, Slovenian National Party, for the referendum on the Radiotelevizija Slovenija Act;
14. Provision of business premises for the Ministry of the Interior;
15. Operations of the Office of the President of the Republic of Slovenia;
16. Proposal of the annual financial statement of the state budget 2010;

17. Regularity of financing the referendum campaign of the Hostelling International Slovenia, for the referendum on the Mini Jobs Act;
18. Regularity of financing the referendum campaign of the party of N.Si, New Slovenia - Christian People's Party, for the referendum on the Mini Jobs Act;
19. Regularity of financing the referendum campaign of the party of SMS, Youth Party - European Greens, for the referendum on the Mini Jobs Act;
20. Regularity of financing the referendum campaign of the party of SDS, Slovenian Democratic Party, for the referendum on the Radiotelevizija Slovenija Act;
21. Regularity of financing the referendum campaign of the party of ZS, Greens of Slovenia, for the referendum on the Radiotelevizija Slovenija Act;
22. Regularity of financing the referendum campaign of the party of LDS, Liberal Democracy of Slovenia, for the referendum on the Radiotelevizija Slovenija Act;
23. Regularity of financing the referendum campaign of the OPS movement - Conscious Citizens of Slovenia, for the referendum on the Mini Jobs Act;
24. Regularity of financing the referendum campaign of the party of KSS, Christian Socialist Party, for the referendum on the Mini Jobs Act;
25. Regularity of financing the referendum campaign of the party of SU, Slovenian Union, for the referendum on the Mini Jobs Act;
26. Regularity of financing the referendum campaign of the Association of Patriotic Societies Hervardi for the referendum on the Mini Jobs Act;
27. Regularity of financing the referendum campaign of the party of N.Si, New Slovenia - Christian People's Party, for the referendum on the Pension and Disability Insurance Act;
28. Regularity of financing the referendum campaign of the party of N.Si, New Slovenia - Christian People's Party, for the referendum on the Prevention of Illegal Work and Employment Act;
29. Regularity of financing the referendum campaign of the party of N.Si, New Slovenia - Christian People's Party, for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
30. Regularity of financing the referendum campaign of the party of LDS, Liberal Democracy of Slovenia, for the referendum on the Mini Jobs Act;
31. Regularity of financing the referendum campaign of the Student Tolar Foundation, Student Organisation of the University of Ljubljana, for the referendum on the Mini Jobs Act;
32. Regularity of financing the referendum campaign of the party of DeSUS - Democratic Party of Pensioners of Slovenia, for the referendum on the Mini Jobs Act;
33. Regularity of financing the referendum campaign of the Association of Patriotic Societies Hervardi for the referendum on the Pension and Disability Insurance Act;
34. Regularity of financing the referendum campaign of the Association of Patriotic Societies Hervardi for the referendum on the Act on Supplementing and Changing of the Protection of Documents and Archives and Archival Institutions Act;
35. Regularity of financing the referendum campaign of the party of SEM-Si, Slovenian Party of Equal Opportunities, for the referendum on the Prevention of Illegal Work and Employment Act;
36. Regularity of financing the referendum campaign of the party of SMS, Youth Party - European Greens, for the referendum on the Prevention of Illegal Work and Employment Act;
37. Regularity of financing the referendum campaign of the Association of Patriotic Societies Hervardi for the referendum on the Prevention of Illegal Work and Employment Act;
38. Regularity of financing the referendum campaign of the party of SD, Social Democrats, for the referendum on the Mini Jobs Act;

39. Regularity of financing the referendum campaign of ŠOS, Student Organisation of Slovenia, for the referendum on the Mini Jobs Act;

The department issued five post-audit reports:

1. Corrective measures of the Budget Supervision Office of the Republic of Slovenia;
2. Corrective measures under the audit of the proposal of the annual financial statement of the state budget 2009;
3. Corrective measures of the Slovenian Research Agency;
4. Corrective measures of the District Court of Kranj;
5. Corrective measures under the audit of the annual financial statement of the state budget 2010.

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

In 2011, department B1 reviewed all annual reports on the operations of the political parties for the year 2010 in line with the Political Parties Act. The political parties must submit to the National Assembly their annual reports on their operations. Before being delivered to the National Assembly, the reports must be examined by the Court of Audit of the Republic of Slovenia. Records on the examination must be attached to the reports and delivered to the National Assembly. Every party must submit to the Court of Audit their annual report by March 31 of the current year at the latest.

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

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

Audit of the annual financial statement of the state budget 2010

The Court of Audit of the Republic of Slovenia audited the proposal of the annual financial statement of the state budget 2010, state balance sheet as of 31 December 2010 as well as national treasury single account. The Court of Audit expressed a qualified opinion both for the statements and the regularity of implementation. During the implementation of the audit, the Government of the Republic of Slovenia and its budget users failed to eliminate all the established errors and irregularities. Therefore the Court of Audit demanded the submission of a response report and provided recommendations for the improvement of operations. The post-audit report on the implementation of the measures imposed with

the report on the audit of the proposal of the annual financial statement of the state budget 2010, issued by the Court of Audit on the basis of the response report of auditees, contains a decision on violation of the requirement for operational efficiency since the auditees failed to implement a series of measures imposed. In its report on the audit of the proposal of the annual financial statement of the state budget 2010, the Court of Audit based on the irregularities established proposed for the statements, in accordance with the Public Finance Act, a correction but the Government failed to comply with it. There is another option for the correction of the annual financial statement of the state budget, which can be imposed on the Government by the National Assembly.

Provision of business premises for the Ministry of the Interior

As regards the regularity of providing business premises for the needs of the Ministry of the Interior, pertaining to the lease of the building on the Litostrojska Road in Ljubljana and the lease of the building on the Dimičeva Street in Ljubljana, the Court of Audit based on the infringement of the Public Procurement Act and Public Private Partnership Act expressed an adverse opinion.

In auditing the economy of providing business premises, the Court of Audit established the following;

- the Ministry in concluding a preliminary lease agreement for the premises on the Litostrojska Road acted uneconomically since it opted for a lease rather than for a lease-to-purchase agreement and because it concluded the preliminary agreement for a larger area of business premises and more parking spaces than provided for in the investment documentation whereby the lease with the investment programme was not selected as the most advantageous (sub)variant and neither was it evaluated in the investment documentation. By concluding the preliminary lease agreement, the Ministry failed to achieve objectives of the Government of the Republic of Slovenia to reduce the extent of the leased business premises respectively the objective to gain the ownership of the facility. The lease which by its substance, due to high amounts of lease payments, is regarded as a lease-to-purchase but by its form is represented as a lease, can pose a risk of a form of hidden borrowing;
- the lease of the building on the Dimičeva Street in Ljubljana is based on a lease agreement which by its value is comparable to a lease-to-purchase agreement. In the event of the lease of the building on the Dimičeva Street in Ljubljana, the Ministry acted uneconomically since it opted for a lease rather than for a lease-to-purchase. The Ministry thus failed to achieve the strategy to reduce the extent of the leased business premises respectively the objective to gain the ownership of the facility. In relation to the tendering procedure under the lease of the building on the Dimičeva Street, the Court of Audit also established that the Ministry failed to reassess the needs for business premises before starting with the search for an appropriate location and thus did not prepare a strategy of how to meet such needs, which would represent a basis for adequate determination of starting conditions and criteria for the selection of business premises. According to the Court of Audit, there exists a risk that it was the decision to acquire premises on the Dimičeva Street in Ljubljana that came first. The procedures which should have formally and economically justified the acquisition thereof only followed afterwards. In this respect the Ministry acted in a way that represents a risk of uneconomy. As regards the already existing lease agreements for premises leased by then, the Court of Audit established that the Ministry regardless of the lease on the Dimičeva Street maintained the lease of almost the whole amount of the previously leased premises. With the lease of the building on the Dimičeva Street, the Ministry enabled the migration of human resources to a lesser extent than it would have in the case of the lease on the Litostrojska Road. The lease of the building on the Dimičeva Street thus solved less spatial problems while at the same time it increased costs incurred by the Ministry for the lease of the

premises.

Offsets in the purchase of military equipment

The Government of the Republic of Slovenia and the Ministry of Defence do not have a system for monitoring effects established and do not analyse costs and benefits of offsets. Owing to the fact that the Government of the Republic of Slovenia and the Ministry of Defence do not ensure the enforcement of the principle that the benefits of offsets exceed the costs (since they are not familiar with them), there exists a risk that orders of confidential nature become more expensive at the hands of demands for offsets. Moreover, there is no clear demarcation of responsibilities since there is no clear designation of a legal entity (for example, the Ministry) responsible for the implementation of offsets.

Objectives achieved on the basis of individual offsets respectively completed offset programmes should all contribute to the attainment of offset objectives at the national economic level. However, there is no clear connection between the attainment of objectives at the level of the outcome of a particular offset programme and at the level of the effect on the national economy, since the objectives are not quantified and timed neither at the level of an individual offset or individual programme nor at the level of the national economy.

In the period from the establishment of Offset Guidelines (year 2011) to the period covered by the audit, the Government of the Republic of Slovenia and the Interdepartmental Working Group on Offsets failed to propose respectively adopt any measures for adjusting offset objectives, principles or measures for promoting the achievement of objectives. They did not propose respectively adopt amendments to the Offset Guidelines, even though the Republic of Slovenia had become a member of the European Union, NATO and Eurozone, military equipment market had changed and common European defence market had been formed and in spite of the fact that the Republic of Slovenia had been a cosignatory of European Offset Guidelines promoting only indirect offsets related to the military respectively defence industry.

Since the Government of the Republic of Slovenia and the Ministry of Defence have not been familiar with costs and benefits of the offset system and records thereof have been incomplete and because there has been no clear designation of the person responsible for offset implementation while the system has not been adapted to changes in the economic situation of the Republic of Slovenia in the period covered by the audit, the Court of Audit assesses the offset system as inefficient.

Based on the aforementioned findings, the Court of Audit, inter alia, proposed to the auditees to clearly define national offset objectives: define under national strategies or Offset Guidelines clear, measurable and timed long-term programme objectives of the established offset system, which would support national security interests of the state, national characteristics of the economy and the objectives thereof; harmonise Offset Guidelines so that the implementation of offsets would be limited merely to those offsets relating to essential security interests of the Republic of Slovenia in accordance with the provision of Article 346 of the Treaty on the Functioning of the European Union as well as propose to the Government of the Republic of Slovenia the implementation of industrial policy concerning the equipment of national security interest to define „strategic equipment“ which in terms of security would ensure reduced dependence of the Republic of Slovenia on other states.

Audits from the field of local communities

In 2011, the Court of Audit was carrying out 24 audits in the field of local communities. It issued five audit reports and expressed opinions on the operations of five auditees. In all five audit reports, the audit objective was to express an opinion on the regularity of operations of a municipality. There were three adverse opinions expressed as well as one qualified and one unqualified opinion.

In 2011, also three post-audit reports referring to audit reports from 2011 were issued, which required from the municipalities the submission of a response report.

Audit reports issued in 2011 are the following:

1. Regularity of a part of operations of the Municipality of Maribor;
2. Regularity of a part of operations of the Municipality of Izola;
3. Regularity of a part of operations of the Municipality of Bled;
4. Regularity of a part of operations of the Municipality of Bohinj;
5. Management of real estate of the Municipality of Šempeter-Vrtojba.

The following three post-audit reports were issued:

1. Corrective measures of the Municipality of Bohinj;
2. Corrective measures of the Municipality of Šempeter-Vrtojba;
3. Corrective measures of the Municipality of Maribor.

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

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

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

Audit report	Opinion on the regularity of operations	Response report
Part of operations of the Municipality of Maribor	adverse opinion	necessary
Part of operations of the Municipality of Izola	adverse opinion	not necessary
Part of operations of the Municipality of Bled	unqualified opinion	not necessary
Part of operations of the Municipality of Bohinj	qualified opinion	necessary
Part of operations of the Municipality of Šempeter-Vrtojba	adverse opinion	necessary

Audit reports issued in 2011 covered part of operations of the municipalities concerned. The audit reports on the Municipalities of Maribor and Šempeter-Vrtojba cover the years 2008 and 2009 while the reports

on the Municipalities of Bled, Bohinj and Izola cover the year 2009.

The audit findings in these reports show that the scope of irregularities in the field of public procurement has been reduced while the same level of infringement has been kept in the fields of salaries, borrowing and transfers. The audit reports also cover new fields of municipal operations. The Court of Audit has not had much experience with performing audits in these fields so it does not come as a surprise that there are more established irregularities in these parts of operations. Some of the mayor findings should be highlighted: As regards the operations of the Municipality of Maribor, special attention was given to the establishment of rights of superficies and concession granting. The examination of procedures for the establishment of a right of superficies and asset management procedures showed that a legal entity owned by the Municipality was established as a public corporation performing an activity which by law is no longer defined as a commercial public service. The Municipality authorised allowed this public corporation to establish the right of superficies without the authorisation. Based on the aforementioned, it was expressed that the Municipality failed to exercise full control over the corporation. In the field of concession granting, the Court of Audit established that the Municipality granted the concession for the construction of a circular cable car in the value of EUR 12,200,000 contrary to the Public-Private Partnership Act. It should also be stressed that the Municipality of Maribor failed to initiate procedures for the annulment of the purchase contract for real estate which it subsequently obtained based on the exchange of the real estate worth EUR 9,901,778.

The Court of Audit also focused on the field of property renting. The audit findings are similar in all five audit reports and relate to the non-conclusion of individual tangible assets management programmes or deficiency thereof, lack of appraisals, irregular methods of property renting as well as irregular tendering procedures. During all the audits of municipalities, the auditees were found to have rental agreements concluded for an unlimited period of time. The Court of Audit warned them about the Decree on Physical Assets of the State, Regions and Municipalities, which as from 18 September 2007 provides for a five-year rental period. The Municipalities were either warned about the harmonisation of agreements concluded before the enforcement of the Decree on Physical Assets of the State, Regions and Municipalities, or requested to do so due to the fact that the agreements for an unlimited period of time were concluded only after the enforcement of the Decree concerned.

Under the audit report Management of real estate of the Municipality of Šempeter-Vrtojba the stress should be put on the irregular establishment of a private institute for performing typical commercial activities of profit-making nature. The irregularity is also due to the fact that the institute construction project, which involves elements both of a public contract and a public-private partnership, was not awarded in accordance with public procurement regulations. Moreover, the Municipality transferred into the institute ownership as a non-cash contribution land in the value of EUR 1,033,009, which was contrary to the Decree on Physical Assets of the State, Regions and Municipalities.

The audits also covered three municipalities which have been interesting from the tourist point of view. Therefore, assigned revenue in the field of tourism was included in the examination as well. It was established that the Municipality of Izola, together with the two municipalities with which it forms a tourist area, failed to regulate the distribution of a concession fee obtained from specific gambling and did not plan in the 2009 budget the use of earmarked funds in the field of tourism by individual budget items as well as failed to illustrate in the annual accounts the realisation of the earmarked funds in the field of tourism. In its budget for the year 2009, the Municipality of Bohinj also failed to plan the use of

earmarked funds in the field of tourism by individual budget items and did not illustrate in its annual accounts the realisation of the earmarked funds in the field of tourism.

Two audited municipalities managed to eliminate the established irregularities, where possible, already during the audit procedure while in three instances the municipalities were requested to submit a response report.

In the year 2011, the Court of Audit continued with the implementation of cross-sectional audits (management of municipal assets, establishment of rights of superficies, capital investment management), which enable an in-depth examination of a specific part of municipal operations, assessment of good practice and potential deficiencies in the legislation.

Three urban municipalities were included in the cross-sectional assets management audit with the objective to express an opinion on the regularity of assets management. The implementation of this audit was notably based on numerous initiatives as well as frequently established and in audit reports disclosed irregularities in the field concerned.

Four municipalities are included in the cross-sectional audit of the establishment of rights of superficies. The objective of this audit is to express an opinion on the regularity and efficiency of the establishment of rights of superficies. The decision for the audit is based on the assessment that municipalities establish rights of superficies particularly with the purpose of building on lands with the established right of superficies real estate for the need of municipalities (for example, kindergarten), for which after the construction municipalities pay rent. There exists a risk that municipalities in selecting a procedure for the implementation of legal transaction do not consider the entire legal relationship but only individual phases, which makes the real estate construction project irregular. With such projects, there is also a risk that in this way municipalities avoid regulations from the field of borrowing.

The year 2011 saw the continued implementation of the performance audit of managing capital investments as well as performance audit of establishing companies. The decision for both audits is based on initiatives and estimated risk that capital investments are not managed effectively and efficiently respectively risk that the establishment of the company to perform particular activities was not necessary and not in public interest. Inadequate was also the procedure for the establishment of the company.

Audits of non-commercial public services and associations

Audit department B3 that implements audits of public institutes, Health Insurance Institute of Slovenia, Pension and Disability Insurance Institute of Slovenia and associations operating in the public interest issued eight reports in 2011 and expressed opinions to ten auditees. Audit objective in two audits was to express an opinion on the regularity of operations. Five audits had the objective to express an opinion on financial statements and the regularity of operations while on one occasion, the objective was to express an opinion in the framework of a performance audit. The Court of Audit expressed five opinions on financial statements, of which one unqualified, two qualified and two adverse. There were seven opinions expressed on the regularity of operations, of which four qualified and three adverse. It also expressed opinions on the effectiveness of three auditees in employing the disabled in the Republic of Slovenia.

Audit reports issued in 2011 are the following:

1. Financial statements and regularity of operations of Brezno Podvelka Primary School (Osnovna šola Brezno Podvelka) in the year 2009;
2. Financial statements and regularity of operations of Pension and Disability Insurance Institute of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije) in the year 2009;
3. Financial statements and regularity of operations of Health Insurance Institute of Slovenia (Zavod za zdravstveno zavarovanje Slovenije) in the year 2009;
4. Financial statements and regularity of operations of Slovenska Bistrica Centre for Social Work (Center za socialno delo Slovenska Bistrica) in the year 2009;
5. Regularity of part of operations of Faculty of Management Koper (Fakulteta za management Koper) in the years 2007 and 2008;
6. Employment of the disabled in the Republic of Slovenia in the period from 2006 to 2009;
7. Regularity of operations of Slovenian Beekeepers' Association (Čebelarska zveza Slovenije) in the year 2009;
8. Financial statements and regularity of operations of Institute of Oncology Ljubljana (Onkološki inštitut Ljubljana) in the year 2009;

In 2011, ten post-audit reports referring to audit reports from 2010 were issued:

1. Regularity of transition to a new salary system in Centre for Social Work, Ljubljana Vič-Rudnik (Center za socialno delo Ljubljana Vič-Rudnik);
2. Regularity of transition to a new salary system in Retirement Home, Postojna (Dom upokojencev Postojna);
3. Regularity of transition to a new salary system in High School of Bežigrad (Gimnazija Bežigrad);
4. Regularity of transition to a new salary system in Kranj Central Library (Osrednja knjižnica Kranj);
5. Regularity of transition to a new salary system in Slovenian National Theatre Drama, Ljubljana (Slovensko narodno gledališče Drama Ljubljana);
6. Regularity of transition to a new salary system in Ptuj General Hospital (Splošna bolnišnica Ptuj);
7. Regularity of transition to a new salary system in Jarše Kindergarten (Vrtec Jarše);
8. Regularity of transition to a new salary system in Slovenian National Building and Civil Engineering Institute (Zavod za gradbeništvo Slovenije);
9. Regularity of transition to a new salary system in Kočevje Health Centre (Zdravstveni dom Kočevje);
10. Efficiency of the retirement process.

In 2011, also two post-audit reports referring to audit reports from 2011 were issued:

1. Financial statements and regularity of operations of Brezno Podvelka Primary School (Osnovna šola Brezno Podvelka) in the year 2009;
2. Financial statements and regularity of operations of Institute of Oncology Ljubljana (Onkološki inštitut Ljubljana) in the year 2009;

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

The Court of Audit of the Republic of Slovenia carried out the audit **on the employment of the disabled in the Republic of Slovenia in the period from 2006 to 2009** to assess whether the Ministry of Labour, Family and Social Affairs, Fund of the Republic of Slovenia for the Promotion of Employment

of Disabled Persons and Employment Service of Slovenia were effective in achieving the set objectives and whether they contributed to the preservation respectively increase of employment of the disabled. The audit concerning the employment of the disabled was carried out together with thirteen other supreme audit institutions in the framework of European Organisation of Supreme Audit Institutions (EUROSAI). In May 2011, a joint audit report entitled „Programmes/measures aimed at increasing the employment of disabled persons“ was issued. The Court of Audit established that the Ministry of Labour, Family and Social Affairs in drawing up the Vocational Rehabilitation and Employment of Disabled Persons Act (hereinafter: the Act) and Action plan for the Disabled 2007-2013 failed to set measurable and binding objectives as well as specify measures for achieving these objectives and did not give incentives for the exchange and comparison of data in an electronic environment between the competent institutions. On the basis of the quota system, vocational rehabilitation and active employment policy, the Ministry managed to preserve approximately 33,000 workplaces for the disabled, which in the period from 2006 to 2009 represented four percent of all employed in the State. After the implementation of the Act, the number of the newly employed disabled in the State increased for 36 percent, i.e. from 1,298 in 2005 to the annual average of 1,770. In the period covered by the audit, the Ministry obtained 23 one-year evaluations concerning the employment of the disabled and used some of the findings in preparing amendments and supplements of the Act. As the proposer of regulations and policy-maker, the Ministry should promote and coordinate the introduction, development and implementation of new policies, programmes and measures for the employment of the disabled. On the basis of the multi-annual cost-benefit analysis, the Ministry should reconsider effects of expenditure for different programmes for the employment of the disabled in respect of measures and programmes under the Act and propose modifications of legal provisions regarding the exemption of contributions in social enterprises for disabled and employment centres as well as provisions regarding the compensated fulfilment of quota, because the indicated instruments did not considerably contribute to the increase in the number of disabled employed in social enterprises for disabled and employment centres. The Ministry did not provide sufficient consideration of economic efficiency and effectiveness of the instrument of the compensated fulfilment of quota and at the same time did not provide for a more restrictive arrangement and more efficient control of employers respectively social enterprises for disabled, since higher expenditure did not lead to the increase in the number of disabled employed in social enterprises for disabled and employment centres. Estimated expenditure per one disabled person employed in a social enterprise for disabled or employment centre is at least three times higher than in normal working environments in a quota system.

The Court of Audit also submitted to the Ministry, Fund of the Republic of Slovenia for the Promotion of Employment of Disabled Persons and Employment Service of Slovenia several recommendations for the preservation of workplaces for the disabled respectively increase of the employment of the disabled. It underlined the need to prepare a common vision and policy with measurable objectives as regards the employment of the disabled. Close cooperation of all state institutions is necessary for the achievement of common objectives, as well as the introduction of up-to-date and more efficient work methods and techniques and provision of a more strict control over the implementation of the instrument of the compensated fulfilment of quota.

In auditing the regularity of part of operations of the University of Primorska, Faculty of Management Koper (hereinafter: Faculty of Koper) **in the years 2007 and 2008**, i.e. financial and other connections between the Faculty of Koper and the University of Primorska, Science and Research Centre of Koper (hereinafter: Research Centre), International School for Social and Business Studies (hereinafter:

Faculty of Celje) and University Centre for Euro-Mediterranean Studies (hereinafter: EMUNI Centre), the Court of Audit of the Republic of Slovenia expressed an adverse opinion. It was, inter alia, observed that the employees of the Faculty of Koper were involved in the establishment of the Faculty of Celje via another private institute they had established beforehand, which is contrary to the Employment Relationship Act. They failed to obtain the consent of their employer for their cooperation in the accreditation of competitive study programmes and for their work at the Faculty of Celje, which is contrary to the Higher Education Act, Criteria on Accreditation of Higher Education Institutions and Study Programmes and Internal Instructions. Based on the agreement between the dean of the Faculty of Koper and the director of the Research Centre, the Faculty of Koper transferred to the Research Centre a short-term interest-free loan in the amount of EUR 20,000, irrespective of the fact that according to the provisions of the Statute of the University of Primorska financial operations and control over the financial flow within the University of Primorska are considered the authority of the University. The Faculty of Koper is not a separate legal entity and as such cannot make legal transactions on its behalf and for its account, excluding legal transactions pertaining to activities which do not fall within the implementation of the higher education national programme.

The Court of Audit established that the cooperation between the University, Faculty of Koper and EMUNI Centre was not organised transparent enough to be able to confirm with certainty the credibility of project financial reports based on the cooperation agreement. Some teaching staff completed less teaching assignments than provided for in the Higher Education Act while at the same time they had their civil contracts concluded. Before the conclusion of civil contracts, the Faculty of Koper failed to check all the options under employment contracts. There was insufficient control exercised over the payments under work contracts and copyright contracts and payments were based on incomplete and unauthorised documentation.

Most of the projects of the Faculty of Koper were implemented in such a way that it is not possible to establish from the accounting records all the project costs nor is it possible to establish efficiency and effectiveness of projects and the purpose of funds. There were some instances where the same persons made decisions about the use of project funds, participated in the projects and were recipients of the funds. Decisions about the implementation of internal projects are said to have been made by the Dean's Board, even though it is a consultative body not competent to make such decisions respectively decisions on the use of funds. As members of the Dean's Board, the dean and the director of the Faculty of Koper took part in decision-making about the implementation of the projects and were also involved in the projects. For internal projects, the Faculty of Koper did not submit documents which would reveal the purpose of the projects as well as the method of planning, managing and reporting.

The Court of Audit did not demand from the Faculty of Koper the submission of a response report, since the established irregularities had already been eliminated during the audit procedure respectively there had been adequate corrective measures implemented.

In 2011, the Court of Audit also carried out **a financial and regularity audit of operations of the Institute of Oncology Ljubljana in the year 2009**. As regards financial statements, the Institute of Oncology was expressed an adverse opinion, because it was established that on 31 December 2009, it did not disclose among tangible fixed assets a regular value of buildings and equipment transferred into its management by the Ministry of Health in the year 2008. Chargeable to revenues, it also covered a part of depreciation costs in the amount of EUR 3,808,570, which was not recognised in the price of services, instead of using this amount in accordance with the Rules on Breaking Down and Measuring Revenues and Expenses of Legal Entities under Public Law to partly cover the excess of expenses over revenues from the previous years, disclosed on 31 December 2009 in the amount of EUR 7,105,055. The excess of expenses over revenues disclosed in the statement of revenues and expenses for the year 2009 was therefore too low, i.e. for the amount of EUR 3,808,570. This was made possible by realised revenues from the performance of a public service based on the contract on the implementation of healthcare services programme for the year 2009. The Institute is said to have achieved significant savings especially due to the lowering of prices of innovative medicinal products while the difference between the planned and realised value was solely the consequence of the Institute activity and would therefore remain with the provider of healthcare services. Hence the decision of the Health Insurance Institute of Slovenia to reduce the availability of funds for innovative medicinal products for the Institute of Oncology in the year 2010. This decision is also based on the fact that it is provided for in the relevant regulations (notably General agreement for the contractual year 2010 with the accompanying Annexes 1 and 2) and in the Contract for the performance of healthcare services that the Institute is obliged to pay to the contractor for all the actually purchased innovative medicinal products, i.e. actual prices for actual quantity, but only within the amount of contractually planned funds. There is no adequate basis for the requirement that the Health Insurance Institute of Slovenia is to provide the Institute of Oncology with the funds for the entire contractually planned value of innovative medicinal products, since lower actual costs of the purchase of such products are supposed to be the consequence of successful negotiations between the Institute's employees and suppliers. It is namely provided for in the Annex to the General agreement that the funds for innovative medicinal products are to be ensured as strictly earmarked funds.

In the period covered by the audit, the Institute of Oncology irregularly determined basic salaries, mentoring bonuses and grade-related allowances of some civil servants. Civil servants were promoted before meeting all the required conditions while material, services and fixed assets were purchased contrary to public procurement regulations. During the implementation of the audit, the Institute of Oncology failed to eliminate all the established irregularities and was therefore demanded to submit a response report, in which it has to disclose activities towards the harmonisation with the Ministry of Health in respect of disclosing equipment received into its management as well as measures for the elimination of irregularities in determining salaries and payroll accounting.

Audits of commercial public service providers, privatisation and environment protection

Audit department B4 covers the following fields: commercial public service providers, companies owned by the State or local communities, privatisation and environment protection.

In 2011, this audit department was carrying out 18 audits. By the end of 2011, it issued six audit reports while 14 audits should be completed in 2012. In the six issued reports, a regularity or performance audit opinion was expressed to 16 auditees. Namely, opinion on the regularity of operations to three auditees (in

two audits) and performance audit opinion to nine auditees (in six audits). The department did not carry out any financial audit as a special audit objective, since most of the auditees covered by the department B4 are obliged to have annual financial audits performed.

Aside from the aforementioned 18 audits, there were post-audit procedures implemented. In 2011, the department issued five post-audit reports, i.e. two of them refer to audit reports issued in 2010 and three of them relate to audit reports issued in 2011. Two post-audit reports that refer to audit reports issued in 2011 were issued in the beginning of the year 2012.

List of audit reports issued by the department B4:

1. Audit report on the efficiency of operations of the Government of the Republic of Slovenia in the arrangement of relations concerning infrastructure for the performance of commercial public services in the period from 1 January 2009 to 30 June 2010;
2. Audit report on the efficiency of operations of the Radioactive Waste Management Agency, the Ministry of the Environment and Spatial Planning, the Ministry of the Economy and the Government of the Republic of Slovenia concerning site selection for the intermediate and low level radioactive waste disposal facility in the period from the year 2005 to 6 January 2011;
3. Audit report on the efficiency of operations of the Ministry of the Economy and the Government of the Republic of Slovenia as well as effectiveness of operations of the Fund for Financing Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant in providing funds for decommissioning of the Krško Nuclear Power Plant and disposal of radioactive waste from the Nuclear Power Plant in the period from 2006 to the end of 2009;
4. Audit report on the regularity and efficiency of operations of the Ministry of the Environment and Spatial Planning and the public corporation *Infra, izvajanje investicijske dejavnosti, d. o. o.*, (*Infra, implementation of investment activities*), *Leskovec pri Krškem*, in providing and performing a commercial public service of water regulation in the impact area of the Lower Sava River energy exploitation in the period from 2006 to 2008;
5. Audit report on the efficiency of levying environmental tax for the pollution of environment due to the production of waste electrical and electronic equipment in the period from 2007 to 2009;
6. Audit report on the regularity, effectiveness and economy of providing and performing a commercial public service of natural gas distribution system operator in the Municipality of Ptuj in the period from 2007 to 2009.

Post-audit reports issued in 2011 by the department B4 are the following:

1. Corrective measures for the arrangement of relations concerning infrastructure for the performance of commercial public services;
2. Levying environmental tax for waste electrical and electronic equipment;
3. Corrective measures concerning site selection for the intermediate and low level radioactive waste disposal facility;
4. Corrective measures concerning payment of compensation and construction of the Pluska–Ponikve motorway section overpass;
5. Corrective measures of the Government of the Republic of Slovenia and the Ministry of Finance.

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

International operations of audit department B4

In the year 2011, the department was not involved in any international audit, it did, however, participated in the preparations for the implementation of the following audits:

1. transport of waste between the states, headed by the Supreme Audit Institution (SAI) of the Netherlands, with the cooperation of SAI Bulgaria, Greece, Hungary, Ireland, Norway, Poland and Slovenia. The implementation of the audit is scheduled to be completed with the issue of a joint report at the end of 2012;
2. implementation of the Barcelona Convention and the Protocol concerning cooperation in preventing pollution from ships and, in cases of emergency, combating pollution of the Mediterranean Sea, which is planned to be carried out by the Adriatic states in the year 2013 led by VRI Croatia.

Performance audits

Audit department B5 carries out performance audits, audits of objective and result based budget process implementation as well as increasing number of information system audits. In 2011, the department was carrying out 18 audits and issued eight audit reports, in which it expressed performance audit opinions to 16 auditees and one opinion on the regularity of operations.

Audit reports issued by department B5 in 2011 are:

1. Efficiency of the functioning of the Kindergarten Information System of the Ministry of Education and Sport;
2. Real estate recording in the Republic of Slovenia;
3. Elimination of the backlog of cases;
4. Efficiency of the functioning of the Phytosanitary Information System of the Republic of Slovenia;
5. Preparations for the Universiade 2013;
6. Efficiency and effectiveness of the implementation of austerity measures by the Government of the Republic of Slovenia;
7. Information System of the Office of the Government of the Republic of Slovenia for Local Self-Government and Regional Policy;
8. Achievement of objectives in Healthcare Control.

The submission of a response report was demanded in four out of eight audit reports issued in 2011. In 2011, the Court of Audit issued three post-audit reports, of which one referred to the audit report issued in 2010. Seven implemented corrective measures out of 16 were assessed as adequate. Six corrective measures were considered inadequate while three were assessed as partially adequate. The Court of Audit thus issued six decisions on violation of the requirement for operational efficiency.

Post-audit reports issued by department B5 in 2011 are:

1. Corrective measures of the Surveying and Mapping Authority of the Republic of Slovenia;
2. Corrective measures under the audit of the system of awarding, assessing and paying exceptional pensions;
3. Corrective measures under the audit of preparations for the Universiade 2013.

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Audits implemented by audit department B5 in 2011, were highly diverse as regards their content, scope and audit approaches, since the scope of the department for performance audits is not limited to the nature of work of auditees. All audits of department B5 in 2011 stood out by their materiality, influence of audit scope, public visibility, attention among expert public and changes made to individual audited systems. Some of them are highlighted in the continuation of the report.

Audit of austerity measures of the Government of the Republic of Slovenia

With the issue of the audit report, the department completed the audit of the efficiency and effectiveness of the Government of the Republic of Slovenia in implementing austerity measures in the period from the second half of 2008 to 23 May 2011, with the emphasis on austerity measures adopted and implemented by the Government in the period from 2009 to 2010. The method of planning, monitoring and implementing austerity measures may have changed subsequently, yet a series of recommendations provided in the audit report has been of interest also to the new Government of the Republic of Slovenia and for the new forms of anti-crisis and austerity policies.

Audit of preparations for the Universiade 2013

Under this audit, the Court of Audit warned about deficiencies and material risks related to the preparations for the Winter Universiade 2013, even before the implementation of this recognisable and financially important project. The issued post-audit report once again warned about the risks in respect of the preparation of competition venues. Three municipalities were thus issued a decision on violation of the requirement for operational efficiency.

Elimination of the backlog of cases

The audit included a comprehensive presentation and assessment of the endeavours of the line ministry, the Supreme Court of the Republic of Slovenia and the Judicial Council for the elimination of the backlog of cases from the beginning of the year 2005. It was established that the efforts of the entities involved reduced the backlog of cases irrespective of the increasing number of new cases. However, several additional measures will be necessary to effectively eliminate the backlog of cases, notably more intensive mutual cooperation between the entities responsible.

Other activities

Personnel reinforcement in the field of IT audits, where there is now a considerably stronger audit team, enabled the issue of three new audit reports in 2011 while four other audits of different important information systems are in the process of their implementation.

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

In 2011, the department for auditing the use of European Union funds and operations of public funds and agencies continued to follow a comprehensive approach to auditing the use in the Republic of Slovenia, which also includes international and European Union funds.

In 2011, department B6 issued four audit reports:

1. Costs of controls in the disbursement of European Union funds (international parallel audit by the Working Group on Structural Funds IV under the Contact Group of the European Court of Auditors; joint report adopted by the Contact Committee in October 2011, entitled: *Parallel audit on the costs of controls of structural funds by the Working Group on Structural Funds*);
2. Efficiency of the international development cooperation system;
3. Promotion of employment of disabled persons;
4. Efficiency of energy-saving renovation of public buildings.

Post-audit reports issued by department B6 in 2011 are:

1. Corrective measures under the audit of public railway infrastructure development;
2. Corrective measures of the Public Agency for Technology of the Republic of Slovenia;
3. Corrective measures under the audit of the efficiency of the international development cooperation system.

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

The first half of the year saw the completion of the audit of the so called **control systems in the field of cohesion policy**, i.e. verification of eligibility of payments before the actual payment of funds is made. Its objective was to provide as realistic picture as possible of actual costs of controls exercised in procedures of obtaining EU funds and thus implementing EU policies. The national audit of the system of control over the payment of EU funds illustrated the Slovenian practice of all the institutions involved and can provide help in planning and evaluating work in the field of control in the future. According to the findings, there are several inefficiencies in the system and unnecessary duplications burden the state budget more than necessary. Such duplications arise partly from European regulations but the major part is related to bad interpretation and transposition of European provisions into national law and practice. As a member of the core group of the joint international audit of control costs, the Court of Audit is also co-author of the joint international report, which was published in autumn 2011 at the Contact Committee of the European Organisation of Supreme Audit Institutions.

International development cooperation respectively official development aid represents aid offered by developed countries to developing countries in support of their economic development and progress. In the field of bilateral development aid, which represents approximately a third of all the aid, the system of planning, implementing, monitoring and providing corrective measures for the improvement, implemented by the ministries in the period from 2007 to 30 September 2010, was mostly not efficient. Considering unclear definition and delimitation of competences of various institutions involved as well as objectives that are not measurable, the system cannot be efficient already due to its structure. This is further intensified by insufficient legal and implementing bases. The Ministry of Foreign Affairs as a national coordinator was therefore requested to start preparations for the establishment of a uniform reporting methodology and comprehensive monitoring and reporting system, which it was able to do within an appropriate period. Aside from these measures, the institutions included in the development cooperation system were recommended to improve strategic programming documents, evaluate objectives and establish a transparent method of allocating funds for international cooperation so that criteria will be known in advance to all contractors irrespective of the allocation method used and the relations between the ministries and contractors clear also as regards the purpose of the funds allocated.

The examination of **operations of the Fund for the Promotion of Employment of Disabled Persons** showed that the Fund in the years 2008 and 2009 was neither effective nor efficient. This can be also ascribed to many irregularities established notably in the field of employment relationships, salaries and bonuses as well as public procurement. The Fund was ineffective in collecting contributions for the promotion of employment of disabled persons, exercising control over the compensated fulfilment of quota and allocating funds for other incentives. The efficiency of the Fund was considerably reduced because it failed to adopt general operating conditions, which are not only regarded as a document required by law but also as a key element for ensuring efficient operations with other entities. There were thus no conditions ensured for a regular, clear, transparent and efficient payment of contributions, implementation of business cooperation agreements for the compensated fulfilment of quota and implementation of procedures for allocating financial incentives for the employment of disabled persons. Aside from the corrective measures pertaining to the adoption of general operating conditions and elimination of irregularities in determining salaries and payroll accounting, the Fund was provided several recommendations for the improvement of the existing practice.

Efficiency of energy-saving renovation of public buildings is considered one of those programmes for the promotion of efficient use of energy and renewable energy sources for which there is also a significant level of European Union funds available next to a modest amount of national funds. The subject of the audit was the efficiency of the implementation of the priority policy of Energy-saving renovation and sustainable construction of buildings, whereby the Court of Audit examined the method planned for the initiation and implementation thereof. It was established that certain preconditions that do not exclusively relate to the implementation of such programmes but rather to the management of state-owned public buildings in general were not complied with. Moreover, some unusual practices have been put into effect in the field concerned, which additionally reduce the efficiency of the programme concerned. According to the Court of Audit, this reduced efficiency is otherwise attributable to unclear roles of individual authorities involved and not most appropriate decision on the method of implementation of energy-saving renovation and sustainable construction of buildings in the public sector and the selection of projects.

SOURCES USED FOR ACHIEVING THE OBJECTIVES

Financial resources

In the adopted budget of the Republic of Slovenia for 2011 (Official Gazette of the RS, No. 96/10) there were funds allocated for the operations of the Court of Audit in the amount of EUR 6,245,061. These funds also included the planned earmarked funds in the amount of EUR 1,100.

Due to economic circumstances, there was an amendment of the budget of the Republic of Slovenia published in the Official Gazette of the RS, No. 74/11. There were funds in the amount of EUR 6,116,143 allocated to the Court of Audit. That same period saw the adoption of the Rules on the Completion of Implementation of the Central and Local Government Budgets for 2011 (Official Gazette of the Republic of Slovenia, No. 74/11), which defined, inter alia, aside from the increased number of decisions of the Government of the Republic of Slovenia regarding provisional suspension, the method of budgetary commitment for 2011.

Considering the limited incurrence of liabilities, existing regulations and rationalisation of costs, it was assessed that the planned purchase of computer equipment would not be realised in its entirety. The Government of the RS adopted the Decision No. 41012-86/2011/3 in order to reallocate investment funds from the budget item respectively programme of the Court of Audit to the relevant budget item respectively programme of the Ministry of Finance. Budgetary resources for the Court of Audit were thus reduced for EUR 40,000. The valid financial plan of the Court of Audit for 2011 amounted to EUR 6,076,931, of which EUR 1,870 was represented by earmarked funds.

The Court of Audit used EUR 5,966,285. The implementation of the financial plan compared to the valid respectively adopted financial plan represented 98 percent.

On the basis of the comparison of expenditure with the valid financial plan it can be concluded that in 2011 there were no major discrepancies between the planned and used funds. Compared to the previous year, the Court of Audit used EUR 48,127 less, i.e. the use was one percent lower.

Table 4: Realisation of expenditure in 2011 compared to the adopted financial plan - revised budget (column 2) and the valid financial plan (column 3)

in Euro					
Title	Financial plan	Valid financial plan	Expenditure 2011	Use index	Use index
1	2	3	4	5= (4:3)*100	6=(4:2)*100
Salaries	4,683,377	4,683,897	4,639,552	99	99
Salaries and bonuses	4,357,420	4,354,800	4,318,791	99	99
Pay for annual leave	94,174	94,014	92,843	99	99
Recovery of costs and compensations	210,030	215,030	213,744	99	102
Performance bonus	2,062	3,362	3,323	99	161
Over time bonus	600	600	217	36	36
Other payments to employees	19,091	16,091	10,634	66	56
Contributions of the employer	757,504	756,984	749,546	99	99
Contribution to the Pension and Disability Fund	393,863	393,863	389,948	99	99
Health insurance contribution	303,655	303,655	301,946	99	99
Employment contribution	3,123	2,803	2,555	91	82
Contribution for parental protection	4,914	4,714	4,259	90	87
Collective supplementary pension insurance premiums	51,949	51,949	50,838	98	98
Material costs	552,762	553,550	498,423	90	90
Office and general material and services	147,000	140,850	131,244	93	89
Specific material and services	27,450	29,000	26,812	92	98
Energy, water, communal services	78,100	78,100	68,174	87	87
Transport costs and services	35,202	42,227	40,586	96	115
Expenditure for business trips	70,700	71,098	63,945	90	90
Routine maintenance	45,600	45,600	31,956	70	70
Rents and leases	89,400	89,000	87,512	98	98
Other operative expenditure	59,310	57,675	48,194	84	81
Investments and major maintenance	122,500	82,500	78,764	95	64
Purchase of equipment	71,500	42,300	40,721	96	57
Investments and major maintenance	1,000	1,000	848	85	85
Purchase of non-material assets	50,000	39,200	37,195	95	74
TOTAL	6,116,143	6,076,931	5,966,285	98	98

Table 5: Comparison of realisation of expenditure in 2011 with expenditure in 2010

Title	Expenditure 2011 in Euro	Expenditure 2010 in Euro	Use index
1	2	3	4=(2:3)*100
Salaries	4,639,552	4,569,329	102
Salaries and bonuses	4,318,791	4,245,713	102
Pay for annual leave	92,843	92,209	101
Recovery of costs and compensations	213,744	208,775	102
Performance bonus	3,323	7,455	45
Over time bonus	217	204	106
Other payments to employees	10,634	14,973	71
Contributions of the employer	749,546	737,378	102
Contribution to the Pension and Disability Fund	389,948	384,813	101
Health insurance contribution	301,946	296,414	102
Employment contribution	2,555	2,506	102
Contribution for parental protection	4,259	4,181	102
Collective supplementary pension insurance premiums	50,838	49,464	103
Material costs	498,423	592,042	84
Office and general material	131,244	158,962	83
Specific material and services	26,812	35,073	76
Energy, water, communal services	68,174	66,515	103
Transport costs and services	40,586	31,304	130
Expenditure for business trips	63,945	74,273	86
Routine maintenance	31,956	54,588	59
Rents and leases	87,512	89,828	97
Other operative expenditure	48,194	81,499	59
Investments and major maintenance	78,764	115,663	68
Purchase of equipment	40,721	67,319	60
Major maintenance and renovations	848		
Purchase of non-material assets	37,195	48,344	77
TOTAL	5,966,285*	6,014,412	99

Note: Accounting data in Euro are rounded so that the total values are regular and in line with forms for the 2011 annual financial statement.

Report 5.1 on the realisation of expenditure of the Court of Audit in the period from 1 January to 31 December 2011 is consistent with Report 5.1 of the Ministry of Finance of 24 February 2012.

Balance sheet

Fixed assets

Data on the increase or decrease of own tangible and intangible fixed assets

The recording of intangible fixed assets, real estate, equipment and other tangible fixed assets is in accordance with the Rules Amending the Rules on the Method and Rates of Depreciation of Intangible Fixed Assets and Tangible Fixed Assets (Official Gazette of the Republic of Slovenia, No. 112/09, as amended) and the Accounting Act (Article 45).

In 2011, equipment and small inventory in the amount of EUR 66,337 were purchased. Software and hardware represented the highest share of equipment purchase.

Several new software versions were purchased (IMiS/OCR Server, IMiS Suite, ARC Serve, SDL Trados translation software, WebCalendar Plus for a higher intranet version). In line with the users needs, the existing system for conducting documentary operations was upgraded. Aside from hardware, software for a more rational use of printers and multifunctional devices was purchased (UNIFlow system). There was software in the amount of EUR 24,007 purchased.

The year 2011 saw the completion of all activities related to signing the Microsoft Enterprise Agreement 6.6 EA contract.

The Court of Audit also purchased a considerable number of laptops and desktop computers and other hardware in the amount of EUR 36,835. The highest share is represented by the purchase of laptops (EUR 19,668). The purchase of server software amounted to EUR 7,320 while the remaining amount was designated for the purchase of desktop computers, LCD monitors and other necessary hardware.

The amount of EUR 4,587 was allocated to the purchase of office and similar equipment (landline and mobile phones, calculator, copy machines and upgrade of the existing ones).

The amount of EUR 848 was used for the maintenance of the existing office building.

In 2011, protocol gifts in the amount of EUR 60 were received.

Due to certain equipment being technically and technologically out-of-date and damaged, there came to a removal of tangible fixed assets in 2011. Tangible fixed assets, mostly hardware, in the amount of EUR 76,825 were thus removed from use.

The value of intangible and tangible fixed assets as of 31 December 2011 represented EUR 3,490,486, which is EUR 195,911 less compared to the previous year.

Current assets

Data on outstanding receivables

As of 31 December 2011, there were short-term receivables and deferred expenses and accrued revenues in the amount of EUR 516,409 disclosed in the balance sheet of the Court of Audit.

The receivables refer to:

- receivables for accounted and not paid salaries and taxes for December 2011 and for provided and not paid services and supplies in December 2011 in the amount of EUR 493,788 (out of that EUR 453,413 for salaries and taxes, EUR 524 for contributions for employment of the disabled, EUR 3 for the reimbursement of fieldwork costs as well as EUR 39,848 for services and supplies);
- receivables for accounted and not paid expert work in the amount of EUR 7,420;
- receivables for accounted salary compensations in the amount of EUR 15,201.

All listed receivables are presented in the balance sheet as of 31 December 2011, and are payable in 2012.

Short-term financial liabilities

Data on outstanding financial liabilities

As of 31 December 2011, there were short-term financial liabilities and accrued expenses and deferred revenues in the amount of EUR 516,409 disclosed in the balance sheet of the Court of Audit.

The financial liabilities refer to:

- short-term financial liabilities to employees in the amount of EUR 389,493, arising from the calculation of salaries for December 2011 and recovery of business travel costs in 2011;
- short-term liabilities to suppliers in the amount of EUR 39,732 for the material supplied and services provided in November and December 2011;
- other short-term liabilities from operations in the amount of EUR 71,867 for calculated tax on salaries for December 2011;
- short-term liabilities to users of the unified chart of accounts in the amount of EUR 116 for the performed services partially for November and for December 2011;
- accounted salary compensations with the December 2011 salary in the amount of EUR 15,201.

All listed liabilities are presented in the balance sheet as of 31 December 2011, and are payable in 2012.

Own funds

As of 31 December 2011, the Court of Audit has, in the framework of the general fund, fund of intangible and tangible fixed assets in the amount of EUR 3,490,486 disclosed in its books of account.

Employment

There were 135 civil servants and officials employed at the Court of Audit on 31 December 2011. One civil servant was a fixed-term employee, doing his traineeship.

In 2011, two official posts were published under open competitions and there were public notices for two professional-technical posts and one notice for a traineeship fixed-term post.

Both public notices were completed successfully and so were the traineeship notice and one open competition. One open competition for an official post published in December was not completed by the end of the year.

Two civil servants were recruited for an indefinite period of time while one employment contract was terminated. In 2011, the Court of Audit recorded a turnover of 0.7 percent, which is less compared to 2010 (2.26 percent).

Figure 8: Turnover of employees in the period 2002-2011

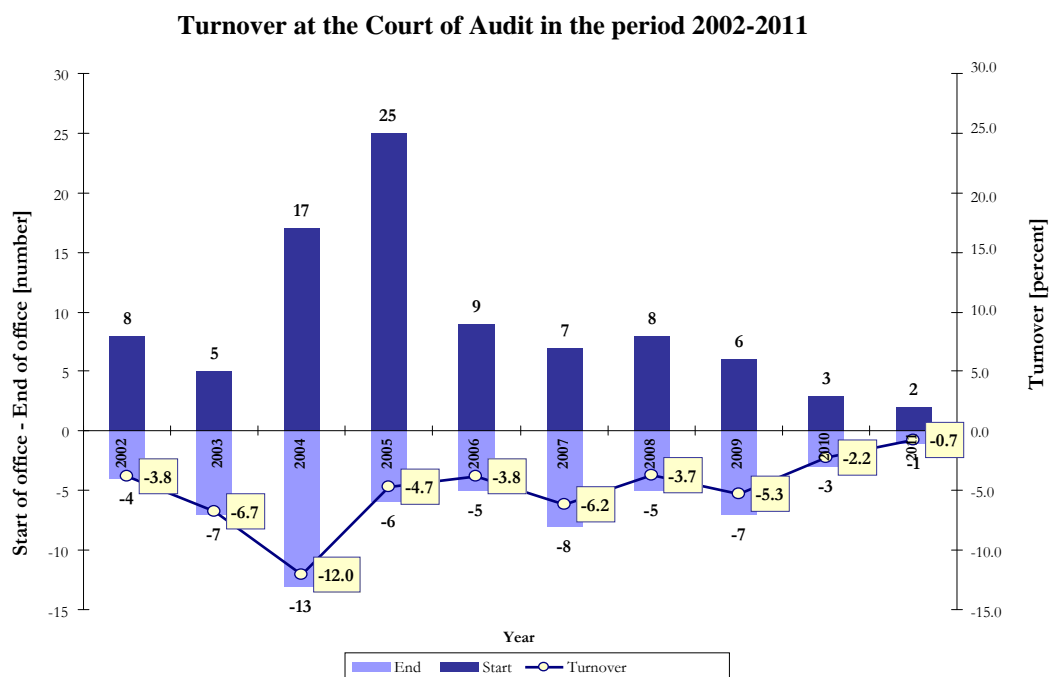


Table 6: Number of employees by posts

Work sector	No. of employees 31 December 2010	No. of employees 31 December 2011
Management:		
• members	3	3
• supreme state auditors	6	6
• secretary general of the Court of Audit	1	1
Total management	10	10
Auditing:		
• advisers	13	13
• deputy supreme state auditors	7	7
• principal auditors	33	37
• senior auditors	29	26
• auditors	11	10
• trainees	0	1
Total auditing	93	94
Support services:		
• head of the cabinet	1	1
• secretaries	12	11
• civil servants in support services	18	19
Total support services	31	31
Total	134	135

Table 7: Staff educational structure

Level of education or professional title	No. of employees 31 December 2010	No. of employees 31 December 2011
PhD	3	3
Master's degree, specialisation	31	32
University or high education	89	89
Post-secondary education	3	3
Secondary education	8	8
Total support services	134	135



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