



REPUBLIC OF SLOVENIA
COURT OF AUDIT

Annual Report 2013



MISSION

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



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Number: 002-3/2014/4
Ljubljana, August 2014

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KEY RESULTS

- **71** ISSUED AUDIT REPORTS
- **17** ISSUED POST-AUDIT REPORTS
- REVIEW OF OPERATIONS OF **110** AUDITEES
- ASSESSMENT OF **182** CORRECTIVE MEASURES
- **126** ADEQUATELY IMPLEMENTED CORRECTIVE MEASURES BY USERS OF PUBLIC FUNDS
- **256** RECOMMENDATIONS PROVIDED TO USERS OF PUBLIC FUNDS
- REQUIREMENTS AND RECOMMENDATIONS FOR THE AMENDMENT OF ACTS AND OTHER REGULATIONS
- **120** WRITTEN RESPONSES TO THE QUESTIONS OF USERS OF PUBLIC FUNDS
- ACTIVE INTERNATIONAL COOPERATION
- COOPERATION WITH THE NATIONAL ASSEMBLY

INTRODUCTION

For the Court of Audit of the Republic of Slovenia, the year 2013 represents the seventh and at the same time the last year of the implementation of its Strategy 2007-2013. Therefore the annual report reflects the achievements of those strategic objectives. At the end of 2013, the Court of Audit adopted a new strategic document, i.e. the Strategy of the Court of Audit of the Republic of Slovenia for the period 2014-2020. The Strategy covers all the key factors that will affect the work of the Court of Audit in the period defined by the Strategic Development Documents of the Republic of Slovenia and the Multiannual Financial Framework of the European Union 2014-2020. At the time of the adoption of the new Strategy, the Republic of Slovenia faces a financial and economic crisis. In the next seven years, the operations of the Court of Audit will thus be focused on the responsiveness of the public sector to the effects of the crisis.

The year 2013 saw changes in the leadership of the Court of Audit and in the internal processes and organisation of the institution. The nine-year terms of office of all three Members of the Senate, elected in 2004, terminated, however, not simultaneously but in accordance with the date of their election in the National Assembly of the Republic of Slovenia. The term of office of the President Dr Igor Šoltes terminated in June 2013. The new President Tomaž Vesel (former First Deputy President) was elected in April 2013. He assumed his office on 1 June 2013. The term of office of the First Deputy President terminated in February 2013. Elected as the new First Deputy President by the National Assembly of the Republic of Slovenia was Jorg Kristijan Petrovič, MSc, the then Supreme State Auditor, who assumed his office on 4 February 2013. The term of office of the Second Deputy President terminated in December 2013. In October 2013, the National Assembly of the Republic of Slovenia elected Samo Jereb, the then Supreme State Auditor, as the new Second Deputy President. He assumed his office on 2 December 2013. Tomaž Vesel, President of the Court of Audit, appointed three new Supreme State Auditors. Zoran Mladenovič took over the Department for auditing the state budget, the operations of political parties as well as election and referendum campaigns. Nataša Musar Mišeljčič became the head of the Department for auditing non-commercial public service providers and societies while Maja Bilbija, MSc, was appointed the head of the Department for auditing commercial public service providers.

The Court of Audit continues with its appropriate and efficient work by responding to the public demands and by selecting relevant audits. In the year 2013, the Court of Audit was carrying out 156 audits. It issued 71 audit reports, 17 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, 77 draft audit reports and 74 proposed audit reports.

The 71 audit reports issued in 2013 considered the operations of 110 auditees (59 less than in the previous year - mainly due to the smaller number of election and referendum campaign organisers). Among the auditees were all the ministries, the Government, governmental services, bodies affiliated to the ministries, the Health Insurance Institute of Slovenia, the Pension and Disability Insurance Institute of Slovenia, municipalities, public institutes, public companies, funds, agencies and organisers of election and

referendum campaigns as well as auditees of other legal forms. The Court of Audit issued 256 recommendations. In 2013, there were 22 audits completed that had the objective to assess the efficiency, effectiveness or economy of operations, which is one less than in the previous year. 19 of those audits were exclusively performance audits while three audits also had the objective to express an opinion on the regularity of operations.

In 17 post-audit reports issued in 2013, the Court of Audit assessed 182 corrective measures. 126 measures were assessed as adequate, 44 as partially adequate while 12 corrective measures were inadequate.

In the year 2013, the Court of Audit received 535 initiatives for the implementation of audits, which is 148 more than in the previous year and the most initiatives received in a single year. Compared to the previous year, the share of initiatives increased by 38.2 percent. As in the previous year, the share of the audit reports issued in 2013 and prepared on the basis of the audits carried out based on the initiatives by legal entities and natural persons and based on the relevance of topics in the media amounted to 21 percent.

One of the tasks of the Court of Audit is to provide advice to users of public funds on public finance issues and to organise trainings for users of public funds in order to clarify the sound financial management. Therefore the representatives of the Court of Audit participated at various seminars, conferences and workshops with their expert inputs from various fields of public finance.

In 2013, the Court of Audit continued with its best practice of developing questionnaires for the members of the Commission for Public Finance Control of the National Assembly of the Republic of Slovenia in considering performance audit reports and in this way promoting the efficiency of their meetings.

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

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

POWERS

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

The powers of the Court of Audit are provided for in the Court of Audit Act, namely to audit operations of users of public funds and to provide advice to them. The Court of Audit with its independence and expertise complies with its statutory obligations in a timely and quality manner and by focusing on material fields in the public sector and more risky fields it tries to promote regularity, efficiency, effectiveness and economy among users of public funds.

OBJECTIVES

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

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

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

These strategic objectives were considered in the annual programme of work for the exercise of auditing powers for 2013.

ATTAINMENT OF OBJECTIVES

Strategic objective 1

To continue to report to the National Assembly and the public on the results of auditing public funds timely and with high quality

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

- the regularity of the implementation of the state budget (regularity of general government operations);
- the regularity of operations of the public institute of health insurance;
- the regularity of operations of the public institute of pension insurance;
- the regularity of operations of an adequate number of urban and other municipalities;
- the operations of an adequate number of commercial public service providers;
- the operations of an adequate number of non-commercial public service providers.

Apart from the above listed mandatory audits, the Court of Audit endeavours to implement as many other audits as possible in order to provide the National Assembly and the interested public with timely, reliable and quality information on financial operations, task implementation, achievement of objectives and results, management and internal control. Mandatory are also audits of organisers of election and referendum campaigns. 67 such audits were implemented in 2013.

In 2013, the Court of Audit was carrying out 156 audits and issued:

- 71 audit reports,
- 17 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,
- 77 draft audit reports,
- 74 proposed audit reports.

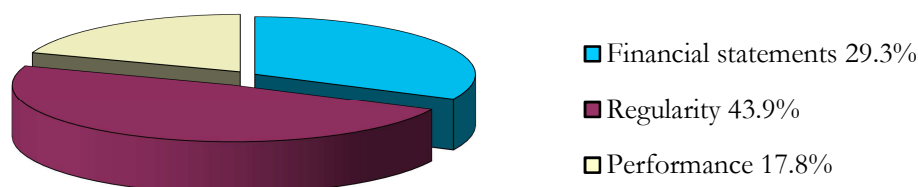
Types of audits

Audits are classified according to the objectives set by the Court of Audit. In 2013, the following audit objectives were defined:

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

Figure 1 illustrates types of audits for which audit reports were issued in 2013.

Figure 1: Types of audits according to audit objectives



The Court of Audit also implements audits where it simultaneously expresses an opinion on two of the above mentioned objectives. Out of 71 audits completed in 2013, 17.8 percent of them had the objective to express an opinion on the efficiency, effectiveness or economy of operations (performance audits); after having decreased for three consecutive years, this share increased by almost six percent (5.7 percent) compared to 2012. In 2013, again the largest share of audits was represented by regularity audits (as an individual objective respectively one of two objectives), i.e. 43.9 percent of all audits. This share is comparable to the year 2012, when it was 49.5 percent. There were no audits with a single objective to express an opinion on financial statements. The total share of such audits (as an individual objective respectively one of two objectives) amounts to 29.3 percent, which is nine percent less than in the previous year (38.4 percent). The decrease in the shares of regularity and financial audits can be attributed to the smaller number of mandatory regularity audits concerning the financing of the organisers of election and referendum campaigns, which in the three-year period (2010-2012), which marked the increased share of audits with the two objectives, were significantly more numerous.

39 audits (38 less than in the previous year) had two audit objectives, namely to express an opinion on financial statements and on the regularity of operations respectively to express an opinion on the regularity of operations as well as on the efficiency, effectiveness and economy of operations. There were 34 audits with one objective only.

In 2013, there were 22 audits completed that had the objective to assess the efficiency, effectiveness or economy of operations, which is one less than in the previous year. 19 of those audits (two more than in 2012) were exclusively performance audits while three audits (three less than in 2012) 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 the efficiency, effectiveness or economy of operations, represent 26.8 percent of all reports issued in 2013, which means that the share from the year 2012, i.e. 14.9 percent, increased by nearly 12 percent. After three consecutive years of decreased share of audits with the sole objective to assess the efficiency, effectiveness or economy of operations, such increase can be attributed to the smaller number of referendum campaigns (their

number had increased for three consecutive years), while the election campaign involved only three organisers, which means only three mandatory audits.

Timeliness and quality of audit reports

Timeliness of an audit report is the most important and easy measurable element in a mandatory regularity audit of the implementation of the state budget, since the time limit for its completion is defined by the Public Finance Act. It is also the most extensive audit of the Court of Audit. Therefore its implementation and timeliness were given a lot of attention and audit work. Audit report on the Proposal of the annual financial statement of the state budget for 2012 was issued within the time limit defined by the Public Finance Act.

The year 2013 saw the issue of 30 regularity audit reports concerning the financing of election and referendum campaigns:

- legislative referendum on the Family Code (27 audit reports issued);
- presidential elections (three audit reports issued).

These are mandatory audits, for which audit reports were issued within the defined time limit, ten months after the elections respectively referendum took place. This means that the objective of the 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.

The 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 its linguistic, legal and audit appropriateness. The quality assurance is promoted also by a clearance meeting as defined by the Court of Audit Act. At the clearance meeting, an auditee may file an objection against any audit finding in a draft audit report or give additional explanations. No clearance meeting is necessary if the auditee notifies the Court of Audit in writing that no finding in the draft audit report is challenged. If not successful at the clearance meeting, the auditee can file an objection to the proposed audit report. The Senate of the Court of Audit, composed of the President and both Deputy Presidents, decides on any disputed finding in the proposed audit report and its decision is final.

Strategic objective 2

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

Every year the Court of Audit prepares a programme of work for the exercise of auditing powers of the

Court of Audit of the Republic of Slovenia (hereinafter: the programme of work for the exercise of auditing powers), which indicates audits that are planned for the year concerned. When defining the annual programme of work for the exercise of auditing powers, the Court of Audit, aside from its statutory obligations, considers the materiality of users of public funds as well risk of irregular or unsound operations in respect of budget volume, control over the use of public funds, possible outputs of audits and initiatives received from the National Assembly and individuals, current lack of auditing and current media publications. Since the circumstances alter during the implementation of the annual programme of work for the exercise of auditing powers, the Court of Audit corresponds to the changes and revises the programme if necessary. Namely, in 2013 the Court of Audit additionally included four audits in the annual programme of work for the exercise of auditing powers as the response to new circumstances, which is 36 less than in 2012 (notably due to the organisers of election and referendum campaigns), and 16 audits were excluded from the programme of work for the exercise of auditing powers, which is eight less than in 2012.

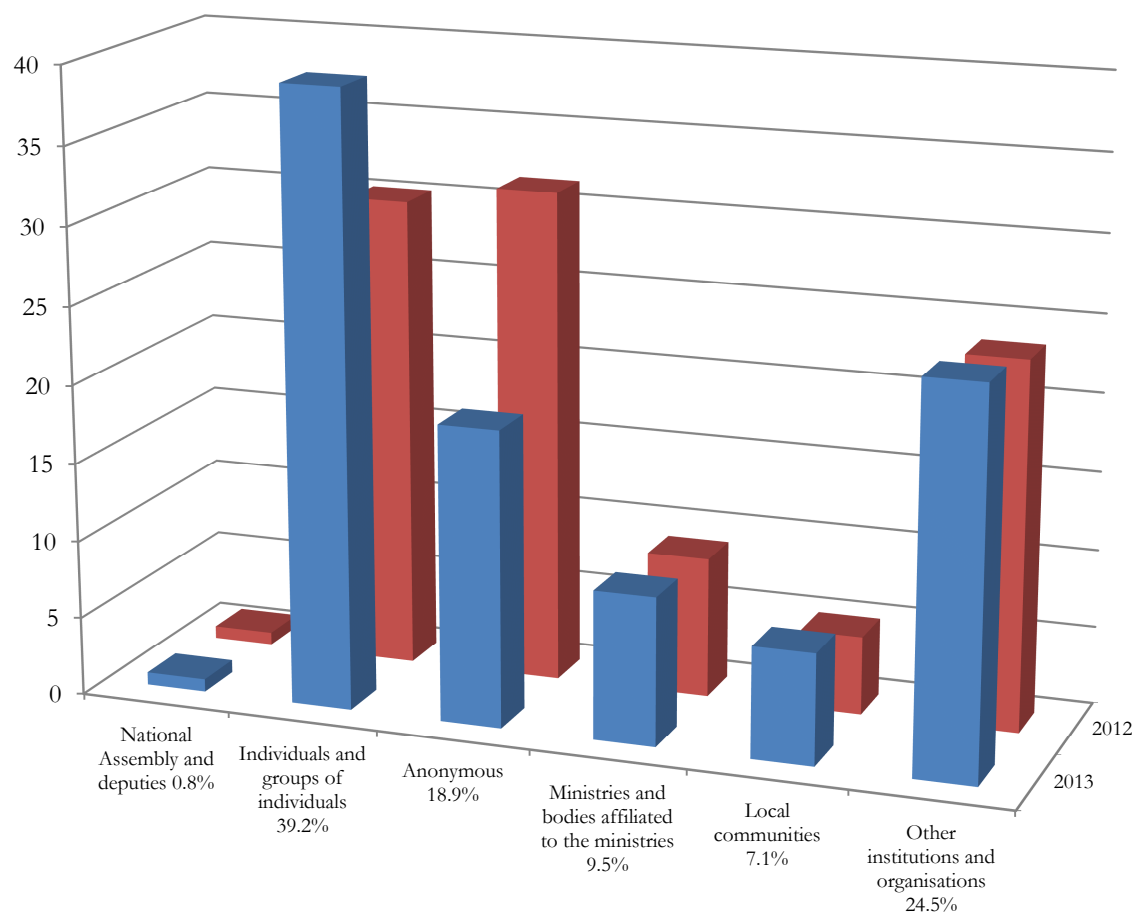
Received initiatives for auditing

In the year 2013, the Court of Audit received 535 initiatives for the implementation of audits, which is 148 more than in the previous year and the most initiatives received in a single year. Compared to the previous year, the share of initiatives increased by 38.2 percent. The Court of Audit namely received 387 initiatives in 2012 while in 2011 it received 452 initiatives.

In 2013, the share of issued audit reports prepared on the basis of audits introduced based on the initiatives by legal entities and natural persons and based on the relevance in the media amounted to 21 percent. The same share was observed also in 2012.

The most initiatives (210) were made by individuals and groups of individuals, who contributed almost twice as many initiatives as in the previous year (117). The second highest number of initiatives came from various legal entities (companies, institutions, public companies, institutes, societies and associations), which made 131 initiatives respectively 40 more than in 2012. Included in this number are also 29 initiatives by the Commission for the Prevention of Corruption (40 initiatives in 2012), three initiatives by the National Review Commission for Reviewing Public Procurement Award Procedures and one initiative by the State Attorney's Office. No initiative for the implementation of an audit was made by the Prosecution Service. Anonymous initiators who in the year 2012 had been classified first among the groups of proposers (122 initiatives) made 101 initiatives. The National Assembly made four initiatives, which is one more than in 2012. Governmental offices, ministries and bodies affiliated to the ministries made 51 initiatives, which is 16 more than in the previous year (35), including ten initiatives made by the Tax Administration of the Republic of Slovenia (three more than in 2012) and seven initiatives made by the Police (three more than in 2012). Local community authorities delivered 38 initiatives (19 more than in 2012). The highest share of initiatives is related to proposals for auditing local communities (154) and to proposals for auditing non-commercial public service providers and societies (129 initiatives). The share of initiatives by individual submitters in 2013 and comparison to the year before is illustrated in Figure 2.

Figure 2: Initiatives for the implementation of audits by submitters in 2013 and comparison to 2012



Pre-audit enquiries

The Court of Audit Act provides for the conduct of a pre-audit enquiry. The Court of Audit may, prior to the commencement of an audit, demand from the user of public funds to provide all information which they consider relevant to their audit, including bookkeeping documents, data and other documentation, and make other enquiries necessary for the planning or performing the audit. Due to urgent issues arising from the activities of the public sector, the Court of Audit in 2013 initiated two pre-audit enquiries and issued one reports on the pre-audit enquiries implemented. A report on the implemented pre-audit enquiry includes a risk assessment and a proposal whether the audit should be included or not in the programme of work for the exercise of auditing powers. Based on one pre-audit enquiry implemented in 2013, there was an audit initiated by the Court of Audit in 2013, i.e. Promotion of Social Entrepreneurship.

Initiatives received from the National Assembly

In 2013, the Court of Audit received four initiatives made by deputies of the National Assembly of the Republic of Slovenia respectively the Commission for Public Finance Control, which is one more than in 2012.

Table 1: Proposals for the implementation of audits, received in 2013 from the National Assembly of the Republic of Slovenia

Seq. No.	Submitter	Description of proposal
1.	National Assembly, Secretary General	Audit of the efficiency of operations respectively the use of funds for publications in the regulatory part of the Official Gazette of the Republic of Slovenia
2.	Commission for Public Finance Control	Audit of operations of the users of public funds in terms of public procurement in the field of medical equipment respectively audit of the effectiveness of operations of the National Review Commission
3.	Committee on Education, Science and Sport	Audit of the efficiency and effectiveness of awarding concessions for the implementation of higher education study programmes
4.	Deputies of the National Assembly, Kristina Valenčič and Ivan Simčič	Audit of operations of the Municipality of Ilirska Bistrica

The Court of Audit included the initiatives made by deputies of the National Assembly of the Republic of Slovenia respectively the Commission for Public Finance Control in 2012 in the programme of work for the exercise of auditing powers for the year 2013, as provided for in the second paragraph of Article 25 of the Court of Audit Act. It is necessary to stress out that the realisation of the initiatives made by deputies of the National Assembly of the Republic of Slovenia respectively its working bodies is in different stages of audit procedure, whereby some audit reports based on the initiatives shall be issued in 2014. The initiatives made by deputies of the National Assembly of the Republic of Slovenia respectively its working bodies in 2013 were considered by the Court of Audit when adopting the programme of work for the exercise of auditing powers for the year 2014.

Strategic objective 3

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

The Court of Audit contributes to the reduction of irregularity as well as inefficiency, ineffectiveness and uneconomy of operations of users of public funds in several ways. As defined by the Constitution of the Republic of Slovenia, the Court of Audit is the highest body for supervising state accounts, state budget

and all public spending. In implementing audits, the Court of Audit actively promotes improvements of operations of users of public funds by disclosing irregularity as well as inefficiency, ineffectiveness and uneconomy in audit reports and demanding corrective measures and/or the establishment of such supervision system that shall prevent any similar occurrences in the future.

The Court of Audit also promotes the improvements of operations of the public sector by advising and training, which 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 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.

Performance of a Commercial Public Service of Transmission System Operator

In its response report, the Energy Agency indicated that it had complied with the request of the Court of Audit and increased the value of the regulatory surplus of income of the company Elektro - Slovenija, d. o. o., Ljubljana (hereinafter: ELES) for the amount of EUR 25,203,620, which resulted from use of income from rights granted for the use of cross-border transmission capacities based on the plan for the use of such income for network investments approved in 2007.

According to the records of the Energy Agency, the indicated assets were used for the financing of an energy transformer (phase shifting transformer), which was activated on 31 December 2010. The depreciation of the phase shifting transformer since the start of the use of this investment (since 2011) was financed with assets from the congestion respectively covered with the elimination of the accrual of a part of congestion income in accordance with the methodology. These assets were thus not considered in the calculation of an average regulatory asset base and the Energy Agency did not recognise the return on the assets. Aside from the increase in the surplus of income in the amount of EUR 25,203,620, the Energy Agency recognised under the eligible costs of the system operator (ELES) for the period from 1 January 2011 to 31 December 2015 a regulated return on the assets in the amount of EUR 4,814,206 and the accompanying depreciation in the amount of EUR 3,150,453 respectively it decreased the surplus of income in the amount of EUR 25,203,620 for a total amount of EUR 7,964,659.

The remaining part of the surplus over the eligible depreciation costs and the regulated return on assets (in the amount of EUR 17,238,961) will be considered by the Energy Agency in the next pricing procedures respectively in the preparation of the regulatory framework starting on 1 January 2016. It namely distributed the amount over two three-year regulatory periods, i.e. over the period of six years, which means that the amount of EUR 2,873,160 will be considered annually as a source for the financing of eligible costs.

On 1 March 2013, the Energy Agency informed the system operator (ELES) about the increased regulatory surplus in the records of the Energy Agency for the year 2007 and called upon the ELES company to consider this adequately in its records. The savings in the amount of EUR 17,238,659 are realised with the implementation of this activity.

Implementation of the Water Act

In its audit report on the implementation of the Water Act, the Court of Audit pointed to uncollected public fees in the amount of more than EUR 25 million. The potential savings (additional budget revenue) can namely be attributed at least to uncollected concession fees

- for the use of water in the period from 2005 to 2011 in the amount of EUR 16.1 million. Considering the fact that the concessionaires submitted applications for the use of water in the year 2004 at the latest and actually used the water, it would be possible to charge the so far uncollected concession fee according to the provisions of the Water Act, which provides for the payment for the use of water;
- Moreover, the annual amount of EUR 1.5 million could be charged for the acquisition of water permits, which, however, the Government should have regulated by 10 August 2004 with the adoption of an appropriate regulation. The savings may only be realised for the coming years after the adoption of such regulation and based on the audit implemented they are estimated in the amount of at least EUR 4.5 million for the following three years.

In 2013, the National Assembly on the proposal of the Government adopted the latest amendment to the Water Act, which clearly defined the obligation of concessionaires for the payment of concession fee for the entire period of water use, i.e. also retrospectively, and thus enabled the realisation of potential savings. With the amendment, however, it also reduced the amount of the concession fee, which will make the realised savings lower than potential ones. According to the assessment of the Ministry of Agriculture and the Environment respectively the Government, the concessionaires based on the adopted amendment to the Water Act should be charged for the period from 2007 to 2013 as indicated below:

Water use	Additional charge to the concessionaires who were not paying the concession fee in Euro	Payment/repayment to the concessionaires who were paying the concession fee due to the changed amount of the fee
Heating and thermal spas	+ 460,000	- 367,182
Manufacture of beverages	+ 8,567,629	- 8,046,083
Total	+ 9,027,629	- 8,413,265

The savings as a consequence of requests of the Court of Audit in its audit report are related only to the charging to the concessionaires who were using water but were not paying for it. According to the assessment of the Government in its response to the call for remedial action and to the calculations of the Court of Audit it can be established that the realised savings from the concession fee based on the

implemented audit amount to at least EUR 9,027,629 for the period from 2007 to 2013¹. However, since in the absence of the audit consideration the Ministry of Agriculture and the Environment would not have yet started with the implementation of the activity of charging the concession fee to the persons liable who have been using water with no concession contract concluded, the Court of Audit in assessing the audit outcomes also includes the amount of the fee charged to these persons liable for the next three years, i.e. the amount of EUR 3.3 million at the least.²

In its response report, the Ministry of Agriculture and the Environment also stated that the Decree on more detailed criteria for the payment of water rights be adopted by the end of 2013, which would enable also the realisation of potential savings from the payment of water rights in the amount of EUR 4.5 million in the next three years.

The total value of realised savings based on the audit on the implementation of the Water Act amounts to EUR 16.8 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 2013 the deadline falls into 2014. Auditors of the Court of Audit assess the disclosed corrective measures in the so called post-audit reports. Most of the audited users of public funds present evidence in their response reports that appropriate corrective measures for the elimination of disclosed irregularity respectively inefficiency, ineffectiveness or uneconomy have been taken.

The Court of Audit may review the corrective measures by undertaking a new audit to verify the

¹ The data that the Government provided in its response related to the calculation of compensation for the existing and new persons liable are not disclosed regularly as the calculation which should apply only to the existing persons liable includes also the calculation for the persons liable who were not paying the concession fee. In its response, the Government does not indicate which persons liable are calculated the compensation for new concessions in the total amount of EUR 490.000 since the additional compensation is already included in the compensation for the existing persons liable. For the calculation of the savings, the Court of Audit therefore used the data on the use of water, which were obtained under the audit. They concern the persons liable under Article 199 of the Water Act, who were paying water reimbursement for the use of water for the manufacture of beverages, but were not granted concessions by the Ministry of Agriculture and the Environment despite using water.

² The Government made the assessment that after the year 2013 all the persons liable would be paying the concession fee in the amount of 1.7 million, of which the amount of EUR 0.6 million would be paid by the existing persons liable. This means that the persons liable who have been using water but have not been paying the fee will be paying the annual amount of EUR 1.1. million. In a period of three years, these persons liable will thus pay the concession fee in the amount of EUR 3.3 million.

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 a certain period of time by introducing a new audit.

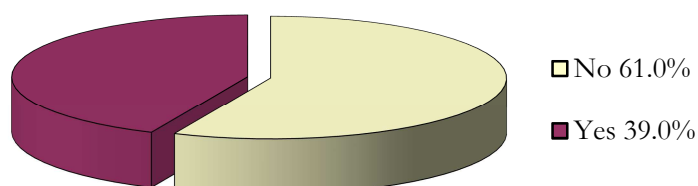
The Court of Audit assesses the adequacy of corrective measures in a post-audit report. If the Court of Audit estimates that there is no adequate elimination of disclosed irregularity respectively inefficiency, ineffectiveness or uneconomy, it may issue a call for remedial action, addressed to a relevant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

In the year 2013, the Court of Audit issued 30 regularity audit reports (out of 71 audit reports in total) concerning the financing of election and referendum campaign organisers (67 in the year 2012). No submission of a response report was required. In the continuation, only audit reports that do not concern election and referendum campaign organisers shall be presented. 16 reports (out of the indicated 41) included a request for the submission of a response report, which means more than a third (39 percent) of audited users of public funds. Compared to the years 2012 (44.7 percent) and 2011 (48.6 percent), the share decreased.

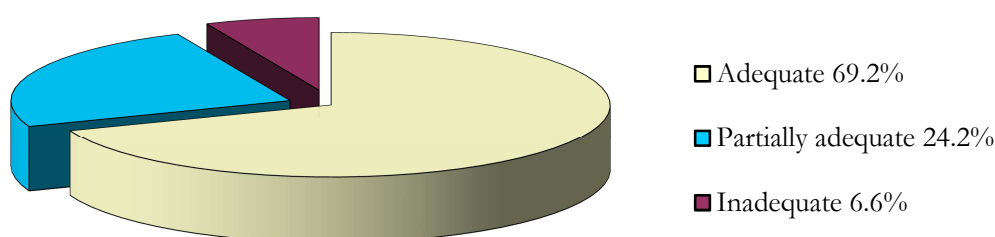
Audited users of public funds disclosed 181 corrective measures in the response reports received in 2013. In 2013, the Court of Audit issued 17 post-audit reports, in which it assessed 182 corrective measures, which is 114 more than in the previous year. 126 measures were assessed as adequate, 44 as partially adequate while 12 corrective measures were inadequate. Due to inadequately implemented corrective measures, the Court of Audit issued a decision on violation of the requirement for operational efficiency to 11 auditees (three more than in the previous year).

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

Presented below are corrective measures and recommendations, imposed respectively submitted to the audited users of public funds for the elimination of irregularities or improvement of operations.

Proposal of the Annual Financial Statement of the Budget of the Republic of Slovenia for the Year 2012 and the Regularity of the Implementation of the Budget in the Year 2012

The corrective measures of the Government had to address the request to all the auditees to examine the reasons for irregularities indicated in the report and based on the assessment of risks adopt appropriate measures for the management thereof and thus ensure the prevention of irregularities respectively their timely detection and elimination. The Court of Audit assessed the corrective measure indicated by the

Government in its response report based on the assessment of individual corrective measures disclosed by government budget users. In the assessment of the individual measures of the government budget users it was considered whether a particular budget user examined the reasons for the irregularities, adopted measures for the management of risks and established a risk register. The government budget users had to prepare measures for the elimination of 90 irregularities. It was assessed that:

- in 11 instances, they failed to examine the reasons for the irregularity concerned, they did not adopt measures for the management of risks and neither did they establish a risk register; these corrective measures were thus assessed as inadequate;
- in four instances they examined the reasons for the irregularity concerned; these corrective measures were thus assessed as partially adequate;
- in seven instances, they examined the reasons for the irregularity concerned and adopted measures for the management of risks; these corrective measures were thus assessed as inadequate;
- in 75 instances, they examined the reasons for the irregularity concerned, adopted measures for the management of risks and prepared a risk register; these corrective measures were thus assessed as adequate.

Regularity of Operations of the National Council of the Republic of Slovenia

The audit report on the regularity of operations of the National Council of the Republic of Slovenia was issued in the year 2012. The post-audit report Corrective measures of the National Council of the Republic of Slovenia was issued in 2013. The corrective measures had to relate to the evidence which showed that in accordance with the second paragraph of Article 62 of the National Council Act members of the National Council were calculated and paid only the compensation for lost earnings for the period of performing non-professional functions and the reimbursement of expenses in connection with the performance of functions; that the National Council prepared and submitted to all the councillors concrete calculations of attendance fees paid to them in the period covered by the audit; and that the Council initiated the activities necessary for the recovery of unlawfully paid funds. The Court of Audit assessed both corrective measures as adequate.

Effectiveness of Operations of the Municipality of Novo mesto

The measures that had to be demonstrated by the audited entity pertained to the activities for:

- a) the organisation of the work process of the Municipal Administration in managing capital investments;
- b) the examination of the existence of a public interest for a capital investment in the company Zarja stanovanjsko podjetje, d. o. o., Novo mesto (hereinafter: the Zarja company) considering the provisions of the Housing Act; the Municipal Council was requested:

- to prepare and submit a scientific basis for establishing whether the investment in the Zarja company was an appropriate method to achieve objectives in the field of housing and to ensure the public interest in the field of housing policy;
- to propose measures for the arrangement of relations in the Zarja company so as to ensure the exercise of municipal interest within the meaning of the provisions of the Housing Act and the Public Finance Act;
- to establish the status of the housing invested by the Municipality as a non-cash contribution in the Zarja company.

The first and third measure in the response report were assessed as adequate while the second measure was assessed as partially adequate. The demonstrated corrective measures namely partially initiated the procedures for the elimination of ineffectiveness established in the audit report. The Municipality failed to prepare the scientific basis for establishing whether the investment in the Zarja company was an appropriate method to achieve objectives in the field of housing and thus ensure the public interest in the field of housing policy. The Municipality was therefore issued a decision on violation of the requirement for operational efficiency.

The Municipality was recommended to give more attention to:

- the acquisition of data for the keeping of the central register of financial assets and to the harmonisation of data in the central register of financial assets;
- the preparation and adoption of documents that would provide the basis for the management of capital investments as well as define management principles, the management strategy and the capital investment management method;
- the preparation and adoption of a document that would clearly delimitate competences and responsibilities for the management of capital investments between individual municipal authorities and the Municipal Administration, in terms of management procedures and the responsibilities for taking individual decisions related to capital investments and the powers to represent the Municipality as the owner of the capital investment in the bodies corporate;
- the preparation and adoption of a document that would define procedures for the selection of the candidates that might be proposed by the Municipality as the owner of the capital investment to the bodies corporate as well as the conditions to be met by the candidates;
- the supervision of operations of the companies with its capital investment;
- the control over the exercise of the right it had in accordance with the Treaty on the establishment of the Zarja company for the housing it invested in the year 1992 in the Zarja company; and
- the establishment of a direct ownership of the housing it invested in the Zarja company as a non-cash contribution and the management of such housing using one of the methods provided for in the Housing Act.

Regularity of Operations of the Municipality of Maribor

The measures that had to be demonstrated by the audited entity pertained to the action of the Municipality in the procedures for the termination of the public-private partnership contract (hereinafter: the PPP contract), i.e. in the procedure for the annulment of the PPP contract and in the procedure for the cancellation of the PPP contract, including the definition of financial consequences for the Municipality due to the protection of its interests in both procedures.

The response report was assessed as adequate. In the planning of projects based on the public-private partnership model, the Municipality was recommended to give more attention to the definition of the key elements of the project, such as the subject, duration, financing method, private partner remuneration method and risks.

Regularity of operations of the Municipality of Postojna

The measures that had to be demonstrated by the audited entity pertained to the initiation of activities for the arrangement of relations in the companies Turizem Kras, destinacijski management, d. d., Postojna and Postojnska jama, turizem in storitve, d. o. o., Postojna so as to ensure the exercise of municipal interest within the meaning of the provisions of the Public Finance Act. The response report was assessed as adequate.

Regularity and Efficiency of Operations of the Municipality of Slovenska Bistrica

The measures that had to be demonstrated by the audited entity pertained to the activities for the amendment of the Contract on the Right of Superficies, lease agreements and contracts on the provision of rental costs, which would clearly set out any financial obligations of the Municipality after the termination of the right of superficies.

The response report was assessed as adequate. When potentially establishing the right of superficies, the Municipality was recommended to give special attention to the provisions concerning the compensation that had to be paid by the owner of the real estate to the beneficiary of the right of superficies after the termination of the Contract.

Regularity of Operations in the Management and Expansion of the Ostri vrh Non-hazardous Waste Landfill

Included in the audit were three audited entities, i.e. Komunalno podjetje Logatec, d. o. o., Logatec (hereinafter: the Logatec Public Utility Company), the Municipality of Logatec and the then Ministry of the Environment and Spatial Planning.

The measures that had to be demonstrated by the Logatec Public Utility Company pertained to the preparation of a plan with defined activities, time limits and persons responsible, which would ensure the fulfilment of obligations under the decision of the then Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning on the cessation of the disposal of waste at the Ostri vrh non-hazardous waste landfill and the fulfilment of obligations under the decision of the Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning on the removal of illegally disposed waste at the expanded section of the Ostri vrh non-hazardous waste landfill, and to the establishment of a claim to the director of the Logatec Public Utility Company by 1 April 2011 for excessively paid salaries.

The measure that had to be demonstrated by the Municipality of Logatec pertained to the cancellation of contracts with other municipalities respectively providers of a commercial public service of municipal waste collection and transport for the disposal of waste at the Ostri vrh non-hazardous waste landfill as well as the search of a landfill for the disposal of waste of the Municipality of Logatec.

The response reports were assessed as adequate.

The Ministry of Agriculture and the Environment was recommended:

- to carry out inspection of the legality of waste disposal at the expanded section of the Ostri vrh non-hazardous waste landfill; and
- to supervise work of inspectors at the then Inspectorate of the Republic of Slovenia for Agriculture and the Environment in carrying out the inspection.

The Ministry of Infrastructure and Spatial Planning was recommended:

- to carry out inspection of the legality of the expansion of the Ostri vrh non-hazardous waste landfill to certain land and re-issue of the decision on the legality of the expansion of the landfill to certain land; and
- to supervise work of construction inspectors at the Inspectorate of the Republic of Slovenia for Transport, Energy and Spatial Planning in carrying out the inspection.

Other municipalities were recommended to:

- put more emphasis on the implementation of procedures for the lease of immovable property and the sale thereof;
- strengthen their internal control over the compliance with contracts concluded with the providers of works and services as well as establish a system of monitoring the timely conclusion of contracts and charging of contractual penalties for exceeding the time limit for the completion of works;
- strengthen their internal control over the implementation of public procurement procedures and the payment of contractual obligations as well as establish a system of monitoring the payment of contractual obligations within the agreed payment deadlines and verify in detail the amount of contractual obligations prior to the payment;
- initiate activities for leasing immovable property for a definite period of time in case of lease agreements concluded for an indefinite period of time before the implementation of the Decree on Physical Assets of the State, Regions and Municipalities;
- describe business processes related to the management of immovable property and public procurement, by defining basic activities of the process and responsibilities for the implementation thereof;
- adopt acts that would specify priority areas for the development of the Municipality and in accordance with particular priority areas define individual projects that would be in the public interest of the Municipality;
- plan projects and the method of their implementation that would be appropriate for the exercise of the public interest of the Municipality;
- select private partners based on their suitability for the implementation of the planned projects;
- supervise the operations of the companies with their capital investment.

Regularity of Operations of Radio Television Slovenia in the Years 2009 and 2010

Upon the completion of the audit, the Court of Audit demanded from Radio Television Slovenia (hereinafter: RTV) the submission of a response report, in which RTV had to demonstrate the elimination of irregularities in payroll accounting in accordance with Articles 3 and 3.a of the Public Sector Salary System Act as well as provide a written analysis of the existing situation and the actual need for the work of full-time civil servants and contract associates and on this basis adopt concrete measures to establish a legal state of affairs.

During the post-audit procedure, the Court of Audit assessed the corrective measures implemented by RTV as partially adequate. RTV harmonised the salaries of civil servants with the provisions of the Public Sector Salary System Act, yet in the period from the issue of the audit report to the preparation of the response report it failed to demonstrate appropriate action in accordance with Article 3.a of the Public Sector Salary System Act concerning the repayment of excessively paid salaries. RTV provided the analysis of the situation of full-time civil servants and contract associates for the first half of the year 2012, yet it failed to provide an analysis of the actual need for the work of full-time civil servants and contract associates. RTV was therefore issued a decision on violation of the requirement for operational efficiency and the RTV Supervisory Board was requested to adopt within the scope of its powers decisions and measures to allow for the implementation of all the activities required for the adjustment of operations in the field of salaries with regulations and for the provision of the analysis of the actual need for the work of full-time civil servants and contract associates.

RTV also had to demonstrate that the conditions of sale for advertising in its programmes and price lists for the marketing of advertising time and programmes had been brought in line with the third indent of the first paragraph of Article 27 of the Radiotelevizija Slovenia Act. The conditions of sale had to specify the method of setting advertising prices, which would ensure that the Supervisory Board decides about the prices or gives explicit consent to them. The Court of Audit assessed the measures reported by the Radio Television Slovenia as adequate, however, it warned that also for the year 2013 the Supervisory Board had to adopt in accordance with the second paragraph of Chapter X of the new conditions of sale the scale and conditions for the calculation of additional quantity account to achieve the agreed annual volume of advertising.

Financial and Regularity Audit of Operations of the National Education Institute of the Republic of Slovenia in the year 2011

Upon the completion of the audit, the Court of Audit demanded from the National Education Institute of the Republic of Slovenia the submission of a response report, in which the Institute had to demonstrate the adoption of new Rules on Accounting based on the provisions of the Accounting Act and its accompanying regulations, the harmonisation of the state of assets and liabilities towards the sources of assets with the actual state as established during the inventory of 31 December 2012, the depreciation of intangible and tangible fixed assets for the year 2012 in accordance with the Rules on the method and rates of depreciation of intangible fixed assets and tangible fixed assets as well as the elimination of irregularities in payroll accounting in accordance with Articles 3 and 3.a of the Public Sector Salary System Act.

During the post-audit procedure, the Court of Audit assessed all the measures implemented by the Institute on the request of the Court of Audit as adequate.

Financial and Regularity Audit of Operations of the Institute for the Protection of Cultural Heritage of Slovenia in the Year 2010

Upon the completion of the audit, the Court of Audit demanded from the Institute for the Protection of Cultural Heritage in Slovenia the submission of a response report, in which the Institute had to demonstrate the elimination of irregularities in the allocation of staff in that it allocated civil servants in accordance with the provisions of relevant regulations; it had to prepare the Job Classification Act in compliance with the internal organisation of the Institute and classify workplaces into salary grades in accordance with the Collective agreement for cultural activities in the Republic of Slovenia, which applies to the Institute, rather than in accordance with collective agreements for other activities respectively

corporate collective agreements of individual institutions. Workplaces regulated with collective agreements of other activities could be included in the internal organisation of the Institute only if the required workplaces were not regulated with the Collective agreement for cultural activities in the Republic of Slovenia. The Institute also had to eliminate irregularities in payroll accounting in accordance with Articles 3 and 3.a of the Public Sector Salary System Act.

During the post-audit procedure, the Court of Audit assessed that the corrective measures for the elimination of irregularities demonstrated by the Institute in its response report had been partially adequate. The Institute namely only started with the activities for the amendment of the Job Classification Rules from 2011, which is considered a prerequisite for the allocation of the heads of regional units in accordance with the regulations. Since the Council of the Institute failed to give consent to the proposed amendment of the Job Classification Rules from the year 2011, the heads of regional units remained allocated to workplaces regulated with the collective agreement for other activities irrespective of the fact that the workplaces of the heads of regional units are regulated with the Collective agreement for cultural activities in the Republic of Slovenia. The Institute was issued a decision on violation of the requirement for operational efficiency and the Ministry of Culture was requested to adopt within the scope of its powers measures to ensure that the Council of the Institute for the Protection of Cultural Heritage in Slovenia implemented all the activities required for the enforcement of the Job Classification Act, which would provide the basis for the allocation of the heads of regional units in accordance with relevant regulations.

Financial and Regularity Audit of Operations of the Lekarna Ljubljana Public Institute in the Year 2011

Upon the completion of the audit, the Court of Audit demanded from the Lekarna Ljubljana Public Institute (hereinafter: the Ljubljana Pharmacy) the submission of a response report, in which the Institute had to demonstrate corrections to irregular depreciation due to the late start of charging and irregular depreciation rates affecting the corporate income tax return as well as the elimination of irregularities in payroll accounting in accordance with Articles 3 and 3.a of the Public Sector Salary System Act.

During the post-audit procedure, the Court of Audit assessed that the measures for the elimination of irregularities demonstrated by the Ljubljana Pharmacy in its response report had been partially adequate. The Ljubljana Pharmacy namely moved public servants, who were found irregularities in the determination of basic salaries, from the workplace Head III to the workplace Head II as at 1 September 2013. These public servants were determined salaries for managerial posts which were classified at a managerial level higher than they could have been in accordance with the third point of Appendix 5 of the Annex to the Collective agreement for health and social assistance services. A civil servant at a workplace Pharmacist III was calculated an amount for the repayment of excessively paid salaries for the period from April 2010 to August 2013 rather than for the period from April 2010 to September 2013. The Institute was therefore issued a decision on violation of the requirement for operational efficiency and the Council of the Ljubljana Pharmacy was requested to adopt within the scope of its powers decisions and measures to allow for the implementation of all the activities required for the adjustment of operations in the field of salaries with regulations.

Commercial Public Service of Distributing Natural Gas and Heat in the Municipality of Kranj;

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

- the preparation of an amendment to the Ordinance on the activity of natural gas distribution system

operator in the area of the Municipality of Kranj, which would enable a public tender for granting the concession for the performance of such activity;

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

The Municipality of Kranj implemented the required corrective measures and prepared proposals for amending the Ordinances, which were to be submitted to the Municipal Council for decision on 20 February 2013. The corrective measures were therefore assessed as adequate. The Municipal Council considered the proposals on 20 November 2013. It adopted the amendment to the Ordinance on the activity of natural gas distribution system operator in the area of the Municipality of Kranj, yet it rejected the adoption of the amendment to the Ordinance on the programme for the development of building land and the criteria for the assessment of building land development fee for the Municipality of Kranj, which would eliminate the possibility of charging building land development fee for the construction of a natural gas distribution network and establish a legal basis for the recovery of unjustifiably charged building land development fee. Since the Municipal Council rejected the adoption of the amendments indicated in the response report, the corrective measure requested by the Court of Audit failed to be implemented. Therefore, the Court of Audit called upon the competent Ministry of Infrastructure and Spatial Planning to act against the Municipality of Kranj in accordance with Article 64 of the State Administration Act. On 19 December 2013, the Ministry called upon the Municipality of Kranj to implement within the period of 30 days the corrective measure and eliminate the unlawful and unconstitutional situation. Otherwise, it would propose to the Government the assessment of the constitutionality of the provisions of the Ordinance before the Constitutional Court.

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

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

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

Only the latter measure requested was implemented adequately by the Domplan company. The first one was assessed as partially adequate while the second one was considered inadequate as the Domplan company failed to adopt appropriate criteria. The Court of Audit therefore issued a decision on violation of the requirement for operational efficiency and called upon the Supervisory Board of the Domplan company to adopt measures for the elimination of the established inefficiencies. The Supervisory Board informed the Court of Audit that the Domplan company had eliminated the inefficiencies. It submitted the new calculations of network charges to the Energy Agency of the Republic of Slovenia.

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

The Provision of Chimney Sweeping Services

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

- the keeping of records of combustion installations and chimney sweeping services;
- the submission of an updated list of persons adequately qualified for the provision of chimney sweeping services, employed at the concessionaires providing chimney sweeping services in individual chimney sweeping areas, as well as the submission of evidence of the initiation of procedures for the withdrawal of concessions of those concessionaires who did not comply with the conditions in respect of employees;
- the drawing up of a plan of activities for the preparation of amendments to the regulations governing the operation of chimney sweeping services, which would define technological processes for the first examination of a small combustion installation, professional qualifications of the person carrying out the examination as well as chimney sweeping rules (standards, guidelines, instructions, recommendations), that had to be complied with by the concessionaires providing chimney sweeping services and by the Ministry of Agriculture and the Environment and the competent inspection service exercising control over the provision of chimney sweeping services;
- the preparation of a plan of activities to re-examine the types and annual volume of chimney sweeping services to be performed at a particular type of combustion installation as well as define clearly the individual chimney sweeping services;
- the preparation of a plan of activities for the calculation of prices of chimney sweeping services;
- the preparation of a plan of activities for the comparative economic analysis of costs and benefits of chimney sweeping services performed either through concessions or licences, which should provide the basis for the arrangement of chimney sweeping services in the future, as well as foresee the possibility and consequences of a possible transition from the concession system to the licensing system of performing chimney sweeping services.

The Ministry of Agriculture and the Environment adopted adequate measures for the elimination of irregularity, inefficiency and effectiveness as well as determined responsible persons and deadlines for the

implementation of the activities. However, the end of the year 2013 saw the adoption of the latest amendments to the Environmental Protection Act, which provided for the termination of a status of a public utility service for chimney sweeping services at the end of the year 2015. The measures indicated by the Ministry would thus not be necessary or feasible. The Court of Audit is of the opinion that considering the obligation of the Republic of Slovenia to provide adequate air quality (especially considering the problems related to solid particles PM10), the elimination of the status of a public utility service for chimney sweeping services is not adequate. Therefore, it is expected that the Ministry will actually perform the tasks indicated in the plan of activities and establish the basis for the performance of chimney sweeping services at least in the framework of the licensing system for this public service utility, which will enable the monitoring of the services performed and the adoption of adequate measures in the event of non-performance of chimney sweeping services.

The Ministry of Agriculture and the Environment was provided several recommendations for the implementation of the required corrective measures so as to improve the operations in establishing conditions for the performance of chimney sweeping services and exercising control over the implementation thereof.

Effectiveness of the Implementation of Measures for the Efficient Use of Energy

The Court of Audit demanded response reports from four ministries.

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

- the submission of proposed amendment to the Decree on consumer information on fuel economy and CO² emissions, which would provide for the examination of fuel consumption and CO² emissions of new passenger cars;

The corrective measures of *the Ministry of Justice* had to relate to:

- the submission of a plan of activities for the centralised management of the state immovable property and the provision of guidelines in respect of energy examinations, energy accounting, the preparation of a list of priorities for the construction of new buildings and energy renovation of the existing buildings as well as the publication of data on energy use;

The corrective measures of *the Ministry of Finance* had to relate to:

- the submission of a plan of activities for the promotion of projects of public-private partnership in the field of energy performance contracting;

The corrective measures of *the Ministry of Infrastructure and Spatial Planning* had to relate to:

- the submission of a plan of activities for the development of transport infrastructure for sustainable mobility, which would include government policy decisions with clear guidelines, objectives, inputs, outcomes and results respectively effects depending on individual objectives;
- the submission of amended starting points for the Resolution on the national programme of the public railway infrastructure for the period 2011-2030, which would provide for the possibility of obtaining the missing investment funds based on a public-private partnership;
- the submission of a proposal of amendment to the Energy Act, the Decree on energy savings at end-users as well as a proposal of a special law for the establishment of a budget fund, which would provide a system for the collection and use of contributions for improving the efficiency of electricity use as well for the collection and use of additions to heat and fuel prices for improving energy efficiency at least until the end of 2016 and only in the framework of the integral part of the state budget and thus ensure the eligible use of the funds collected.

The post-audit report was not yet issued in 2013.

In its audit, the Court of Audit provided to the Ministry of Infrastructure and Spatial Planning, the Ministry of Agriculture and the Environment, the Eco Fund, Slovenian Environmental Public Fund, the Ministry of Finance and the Ministry of the Interior more than 20 recommendations for the improvement of operations of the ministries in ensuring efficient use of energy. The most important recommendations pertain to:

- the supplement of the Decree on energy savings at end-users with the provisions which oblige the operators of installations to keep separate accounts in the carbon dioxide emission allowance trading scheme (EU ETS) for the energy consumption of installations in the EU ETS system and for the energy consumption from operating activities as well as define clearly the coverage of costs for the implementation of programmes;
- the preparation of an adequate programme of activities, which should:
 - subject to available funding, realistically determine the extent of measures and financial resources to achieve the objectives set as a priority in the development planning documents;
 - determine local communities, other ministries and other legal entities as supervisory institutions obliged to report to the Ministry of Infrastructure and Spatial Planning about the measures implemented in the transport sector;
 - determine the same types of activities only within one instrument respectively measure;
 - include measures and/or effects associated with the purchase of new buses intended to replace the existing vehicle fleet of operators of public passenger transport, research and development and pilot projects as well as the inclusion of primary and secondary schools in the Eco-Schools programme in the framework of measures of educational programmes;
 - exclude the implementation of transport sector measures, which are not directly associated with the provision of energy efficiency, i.e. the introduction of cordon tolls and vignettes as well as subsidies for road public passenger transport depending on the number of passenger kilometres;
- the definition of the notion of energy poverty respectively identification of households with low income as well as the conditions that households must comply with to be entitled to receive higher financial incentives than other beneficiaries;
- the proposal of the amendment to the Decree on the dealings and amount of annual fee on the use of motor vehicles, which will determine the amount of annual fee on the use of road vehicles based on carbon dioxide emissions and engine emission rates also for passenger cars;
- the examination of the possibility of payment of compensation for commuting to and from work in the form of integrated ticketing and payment to the carrier based on the number of kilometres made.

Audit of the System for Considering the Rights to Public Funds

Due to inadequate implementation of corrective measures, the Government was submitted a call for remedial action to eliminate inefficiencies at the Ministry of Labour, Family, Social Affairs and Equal Opportunities. It was called upon by the Court of Audit to monitor the implementation of activities of the Ministry of Labour, Family, Social Affairs and Equal Opportunities and thus ensure that the Ministry would in the shortest time possible supplement the existing or conclude a new agreement with the Ministry of the Interior to define the responsibilities of an individual ministry, civil servants and potential external contractors for ensuring information security and providing information support in considering the rights to public funds.

The Ministry of Labour, Family, Social Affairs and Equal Opportunities was recommended to ensure the monitoring of the efficiency of the issuance of decisions as well as establish control mechanisms which would prevent delays in considering the rights to public funds, examine the possibilities to improve the efficiency of information support in considering the rights to public funds and examine the possibilities to eliminate the manual transmission of data between centres for social work and local communities.

Audit of the Efficiency of Food Safety Control

Due to partially adequate measures for the elimination of inefficiencies in the fields of the establishment of an appropriate method of monitoring the achievement of annual objectives in terms of the extent and frequency of official control, the preparation of a comprehensive strategy for the implementation of official control of retail establishments as well as the preparation of a methodology for the implementation of internal audits, the Ministry of Agriculture and the Environment was issued a decision on violation of the requirement for operational efficiency.

The Ministry of Agriculture and the Environment was also provided several recommendations in the fields of the assessment of risks and the implementation of official food safety control.

Audit of the Effectiveness of the Implementation of the eZdravje Project

The Court of Audit requested from the Ministry of Health to initiate procedures for the assessment of responsibilities of individuals for unnecessary or vaguely justified purchases of equipment and services within the eZdravje project and take appropriate action in accordance with any findings. The Ministry was also provided several recommendations, inter alia, for the improvement of the planning, control and documentation of projects.

Audit of the Field of Learning Material for Primary and Secondary Schools

The Ministry of Education, Science and Sport was recommended, inter alia, to examine the existing arrangement of the validation of learning material and assess whether it would be sensible to unify the system of validating textbooks and workbooks as well as encourage the use of e-learning material in primary and secondary schools and monitor their use and usefulness.

Effectiveness of the Ministries in Managing the Selected Subprogrammes (Cross-Sectional Audit)

The Ministry of the Interior, the Ministry of Education, Science and Sport and the Ministry of Economic Development and Technology were recommended, inter alia, to improve the planning and reporting on the functioning as well as improve the information systems, which should ensure systematic collection of data for the monitoring of the field concerned.

Efficiency of Promoting Foreign Direct Investment

The Ministry of Economic Development and Technology and the Public Agency for the Promotion of Entrepreneurship, Innovation, Development, Investment and Tourism were recommended to:

- define more clearly what kind of foreign direct investment (hereinafter: FDI) were promoted by the state as well as classify state activities affecting FDI based on their materiality respectively impact and consider them in the preparation of a programme for the promotion of FDI. It would namely be reasonable to coordinate the implementation of all the state activities affecting FDI, with greater focus

on the activities with greater impact on FDI. The granting of financial incentives should be concentrated on projects which might lead to significant transfers of capital and notably knowledge and technology from abroad to the Republic of Slovenia.

The Ministry of Economic Development and Technology was recommended to:

- prepare a proposal on what kind of business environment should there be in the Republic of Slovenia and how competent the state endeavours to be in relevant fields, by presenting in its medium-term programme of direct promotion of FDI the situation as well as defining objectives, measures and the volume of financial assets. The measures to promote FDI should be designed in the broadest sense. Attention should be given also to increasing awareness about the advantages and deficiencies of FDI, whereby all the promotional activities to attract foreign investors, carried out by various authorities, should be coordinated. The Ministry should establish a thorough review of promotional, informational and other activities directly promoting FDI, carried out by other authorities in addition to the Agency;
- systematically monitor the implementation and impact of all the material measures of other authorities, affecting the business environment for FDI, promote mutual coordination and cooperation between Ministries in the implementation of measures of other policies affecting FDI.

Simplifications of the European Cohesion Policy Implementation System

The Ministry of Economic Development and Technology was recommended to:

- continue with the development of measures for the simplification of the European Cohesion Policy implementation system by preparing the basis and conditions for the measures and assessing and adjusting them through more detailed analyses, as well as reasonably determine target groups of beneficiaries;
- propose to the Government to define clearly one organisational unit of the Government respectively the Ministry as a managing authority to enable unambiguous determination of competences and responsibilities of authorities and individuals. Especially during the preparations for the new programming period it should prepare a clear and reasoned proposal on who should be determined as the managing authority respectively how to ensure an adequate level of legal certainty associated with the exercise of competences and responsibilities of the managing authority.

The Ministry of Finance and the Ministry of Economic Development and Technology were recommended to:

- ensure the uniformity of the relevant rules and thus also of the procedures of co-financing respectively financing of projects from the European Union funds and from the state budget funds.

Other fields

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

Other measures

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

Proposals to amend regulations

In the year 2013, the Court of Audit 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:

The Ministry of Infrastructure and Spatial Planning was requested to:

- prepare a proposal of amendment to the Energy Act, the Decree on energy savings at end-users as well as a proposal of a special law for the establishment of a budget fund, which would provide a system for the collection and use of contributions for improving the efficiency of electricity use as well for the collection and use of additions to heat and fuel prices for improving energy efficiency at least until the end of 2016 and only in the framework of the integral part of the state budget and thus ensure the eligible use of the funds collected;
- adopt a Regulation on energy accounting, which would indicate details on compulsory content, type of data and the method of keeping energy accounting;
- supplement the Rules on the methods for the determination of energy savings at end-users with the Methods for the calculation of energy savings of the Jožef Stefan Institute so as to ensure that all the entities responsible for the measures concerned would be using the same methods for the calculation of energy savings, the use of renewable energy resources and the reduction of carbon dioxide emissions.

The Ministry of Infrastructure and Spatial Planning was recommended to:

- amend the Decree on energy savings at end-users with the provisions which obliged the operators of installations to keep separate accounts in the carbon dioxide emission allowance trading scheme (EU ETS) for the energy consumption of installations in the EU ETS system and for the energy consumption from operating activities as well as define clearly the coverage of costs for the implementation of programmes;
- propose an amendment to the Decree on the dealings and amount of annual fee on the use of motor vehicles, which would determine the amount of annual fee on the use of road vehicles based on carbon dioxide emissions and engine emission rates also for passenger cars;
- supplement the Rules on feasibility study of alternative energy systems for energy supply in buildings and the Rules on the methodology of creating and issuing energy performance certificates with compulsory elements of the Rules on efficient use of energy in buildings;
- regulate the notion of energy poverty respectively identify households with low income as well as the conditions that households must comply with to be entitled to receive higher financial incentives than other beneficiaries;
- provide that energy suppliers may not charge to end-users monthly reporting on the state of electricity meters.

The Ministry of Agriculture and the Environment was requested to:

- propose amendments to the regulations respectively prepare new regulations governing the operation of chimney sweeping services, which would define technological processes for the first examination of a small combustion installation, professional qualifications of the person carrying out the examination as well as chimney sweeping rules (standards, guidelines, instructions, recommendations);
- propose a supplement of the Water Act, which would provide for the terms, conditions and criteria to define for which types of water use it was necessary to obtain a concession or a water permit;
- prepare a legal basis (supplement of the Water Act) for the determination of the starting date for charging concession fee to entities who had been using water and had applied for the granting of concessions yet had not yet concluded concession contracts and to those with the concession contracts already concluded. The obligation to pay concession fee will thus be determined for a period of the actual use of water resources;
- submit the Decree on more detailed criteria for the payment of water rights granted based on water permits to be adopted by the Government; to this end, it is necessary to define criteria for determining the payment in accordance with all the criteria laid down in Article 123 of the Water Act as well as justify the use of each criterion;
- draw up a rule for determining the ways and methods for the measurement of water abstracted from surface waters, which would enable the acquisition of comparable and reliable data on the volume of water abstracted and equal treatment of all persons liable in charging water reimbursement;
- propose and submit to the Government amendments and supplements of the Decree on the implementation of the Regulation (EC) No 1013/2006 on shipments of waste, relating to the establishment of all the necessary procedures to enable at the time of issuing consents to import and export waste shipments to and from the Republic of Slovenia the examination of compliance with the principles of proximity, priority for recovery prior to disposal, self-sufficiency of waste disposal as well as the determination of the existence of conditions for objecting waste shipments;
- prepare and adopt a regulation which would define in more detail the content and manner of keeping the database on environmental protection;
- propose supplements of the Environmental Protection Act with detailed criteria for the imposition of fines for offences related to the violation of the Environmental Protection Act and regulations adopted pursuant thereto, if fines were set in the ranges;
- define rules for the determination of penalties for transboundary shipment of waste in accordance with Article 50 of the Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste as well as supplement the Decree on the implementation of the Regulation (EC) No 1013/2006 on shipments of waste and submit it to the Government for adoption;
- propose an amendment to the Decree on consumer information on fuel economy and CO² emissions, which would provide for the examination of fuel consumption and CO² emissions of new passenger cars.

The Ministry of Agriculture and the Environment was recommended to:

- propose an amendment to the regulations governing the performance of chimney sweeping services so that it would be possible within the framework of the Evi-Dim application and the chimney sweeping service database to:
 - establish and keep a public record of persons adequately qualified for the provision of chimney sweeping services, employed at the concessionaires providing chimney sweeping services in

- individual chimney sweeping areas, including audit trail;
- have an overview of all the conditions that must be complied with for the provision of chimney sweeping services in individual chimney sweeping areas;
- examine the adequacy of provisions of Article 24.a of the Decree on the method, subject and conditions for the performance of the compulsory public utility service of measurement, inspection and cleaning of combustion installations, flue ducts and ventilation shafts for the purpose of environmental protection and efficient use of energy, health protection and fire protection, which provides that a concessionaire (transferor) may transfer rights and obligations under the Concession Contract or part of it to a new concessionaire (transferee) only with the prior authorisation by the Ministry and should select the concessionaire based on a public tender and thus ensure competitiveness and equal opportunities for all the operators wishing to obtain a concession;
- lay down in the Decree on the method, subject and conditions for the performance of the compulsory public utility service of measurement, inspection and cleaning of combustion installations, flue ducts and ventilation shafts for the purpose of environmental protection and efficient use of energy, health protection and fire protection or in the Rules on the maintenance of small combustion installations, flue ducts and ventilation shafts in performing public utility service of measurement, inspection and cleaning of combustion installations, flue ducts and ventilation shafts a procedure to change the number of combustion installations in individual chimney sweeping areas, determine a deadline for the concessionaires to communicate the change of the number of combustion installations (for example, to a certain time period, for a certain percentage, etc.) as well as define the evidence to be submitted by the concessionaires;
- include in the Decree on the method, subject and conditions for the performance of the compulsory public utility service of measurement, inspection and cleaning of combustion installations, flue ducts and ventilation shafts for the purpose of environmental protection and efficient use of energy, health protection and fire protection a provision which enabled a chimney sweep to perform market activities or services, which did not fall under compulsory chimney sweeping public utility services, if it obtained from the service user a signed purchase order specifying the service and the price agreed by the user ordering the execution of the service and also paying for it; the Ministry should also determine sanctions (fines) for the violation of this provision, which would be imposed by the market inspection, whereby such violation would be indicated as the reason for the withdrawal of the concession;
- propose amendments and supplements of the Public Utilities Act to include new forms of public utility services (licences) covering partial or complete provision of chimney sweeping services;
- align the arrangement of the payment of compensation to reduce the income from agricultural activities with the principle of the recovery of costs associated with water pollution, by determining the payment of compensation from water reimbursement, and propose an adequate amendment to the Water Act;
- define in the Decree on the implementation of the Regulation (EC) No 1013/2006 on shipments of waste the measure associated with the implementation respectively withdrawal of consent if the applicant was found guilty of criminal or minor offence caused by illegal shipment of waste or other wrongful act in relation to environmental protection after the consent for the shipment of waste had already been issued and implemented;
- propose based on the established deficiencies in the present method of reporting on the production and management of waste a supplement of the regulation governing the management of waste in the part related to the reporting on waste so that it would be possible to monitor different types of waste from their production to recovery, final disposal or transboundary movement.

Report on Regional Consultations with the Representatives of Municipalities in the period 2011-2012, Chapter 5: Proposals for the amendment of legislation

Provided in the report were proposals for the amendment of legislation in twelve thematic areas (public procurement, public services, borrowing, budget implementation, public roads, asset management, the position of municipal officials, transfers, the acquisition and management of capital investments, calls for proposals and expert assistance to municipalities), which included proposals for the amendment to the Local Self-Government Act, the Public Finance Act, the Public Roads Act, the Act on Physical Assets of the State and Self-governing Local Communities, the Public Procurement Act, the Financing of Municipalities Act, the Public Utilities Act and the Budget Implementation Act. The report was addressed to the Ministry of Finance, the Ministry of Economic Development and Technology, the Ministry of Infrastructure and Spatial Planning, the Ministry of Agriculture and the Environment and the then Ministry of Justice and Public Administration. It was presented also to the Commission for Public Finance Control of the National Assembly of the Republic of Slovenia.

The Ministry of Health was requested to prepare a plan of activities for the completion of the existing respectively the preparation of a new proposal for amending the Healthcare Databases Act and for its submission to the Government for consideration.

The Ministry of Education, Science and Sport was recommended to examine the existing arrangement of the validation of learning material and based on the results assess whether it would be sensible to unify the system of validating textbooks and workbooks. It was also recommended to examine the existing arrangement of textbook funds.

The Ministry of Labour, Family, Social Affairs and Equal Opportunities was recommended to address in detail in its potential proposal for amending and supplementing the system for considering the rights to public funds especially the question which rights to public funds were intended to provide assistance truly to those persons who were materially deprived and could not provide their own material well-being. It should thoroughly examine also the possibilities to improve the efficiency of the system and ensure a more simple and transparent system for considering the rights to public funds.

The Ministry of Agriculture and the Environment was requested to draw up a plan of activities to prepare a new or supplement the existing regulation governing the field of risk assessment and to supplement the regulation governing the registration of food premises. The Ministry was also provided several recommendations pertaining, inter alia, to the regulations in the fields of risk assessment and the implementation of official control.

The Ministry of Economic Development and Technology should:

- propose to the Government to define clearly in a regulation (act or decree) governing the organisational structure of the management of European Union funds in the Republic of Slovenia one authority or organisational unit as a managing authority so as to determine unambiguously competences and responsibilities of other authorities and individuals involved in the decision-making procedures and thus ensure an adequate level of legal certainty;
- prepare adequate instructions governing the eligibility of expenditure in the part that relates to the reporting on indirect costs as well as prepare the complete basis and conditions for the actual simplification of the implementation of the European Cohesion Policy;

- specify the implementation of the Promotion of Foreign Direct Investment and Internationalisation of Enterprises Act with regulations to ensure the co-financing of investments that enable a significant transfer of capital primarily in the form of knowledge and technology respectively investments with real added value.

Cooperation with the Police, the Prosecution Service and the National Bureau of Investigation

The Court of Audit cooperates with the law enforcement authorities 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 joint meetings and consultations.

In early December 2013, Tomaž Vesel, President of the Court of Audit, and Stanislav Veniger, Director General of the Police, signed an Agreement on mutual cooperation between the two institutions. The Agreement aims to strengthen the cooperation between the Court of Audit and the Police so as to increase the efficiency of the two authorities in carrying out tasks within their competence, in the field of detection and investigation of all forms of abuse perpetrated to the detriment of the financial interests of the Republic of Slovenia and the European Union, i.e. detection and investigation of illegal use of funds of the state budget and of the budgets of local communities as well as European Union funds.

Criminal offences

In 2013, the Court of Audit filed two criminal complaints at the competent District Prosecutor's Offices.

Minor offences

In 2013, there were 61 proposals made to the competent inspection services to initiate minor offence proceedings, all of them relating to the election or referendum campaigns.

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

In 2013, the Court of Audit did not require from the Constitutional Court of the Republic of Slovenia any assessment of constitutionality and legality. On 14 February 2013, the Constitutional Court adopted constitutional review (No U-I-128/11) concerning Article 49.a of the Public Sector Salary System Act, which had been lodged in association with the audit of the regularity of operations of the Jožef Stefan Institute.

Strategic objective 4

To further increase the advisory role of the Court of Audit

The Court of Audit performs its advisory role during the implementation of audits and in post-audit procedures when it demands from auditees to carry out corrective measures and gives them recommendations for the improvement of their operations. The Court of Audit also answers the

questions posed by the National Assembly of the Republic of Slovenia, users of public funds and the public. A special form of advising are also educational sessions organised or participated by the Court of Audit by presenting audit findings from the implemented audits and providing recommendations for better operations of a wider range of users of public funds.

Responding to questions

In 2013, the Court of Audit gave 120 responses to public finance questions, which is 32 less than in the year 2012.

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, bodies affiliated to the ministries 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:

- payroll accounting for duty state prosecutors;
- promotion procedures in the public sector;
- interpretation of certain provisions of the Employment Relationship Act;
- reimbursement of costs for commuting to and from work for the officials;
- recording of the purchased scientific literature;
- keeping of a special account for the referendum campaign;
- allocation of transfers;
- management of tangible assets;
- calculation of land development fee and the payment thereof;
- work of the municipality supervisory boards;
- relation between municipal authorities and the powers of the municipal authorities;
- rights of non-professional municipal officials (reimbursement of costs, attendance fees, payment for the performance of duties);
- granting of concessions;
- eligibility of payment of attendance fees to the members of the Institute Council depending on the contents of the meetings as well as payment for work in the working bodies of the Institute Council;
- payment of accident insurance premiums for workers who are particularly exposed and vulnerable in the performance of duties;
- on-call payments to concessionaires and the replacement of concessionaires in providing continuous emergency medical assistance;
- ensuring the eligible use of funds for the implementation of programmes of non-governmental organisations and societies;
- reimbursement of various costs related to work;
- procedures of allocating transfers to non-commercial public service providers and societies as well as the monitoring of the use of such transfers;
- rights of employees and members of public institutes to various benefits;
- public procurement of material, services and fixed assets;

- competences and responsibilities of managers and members of the public institute managing authority as well as various aspects of the salary system (job classification, classification of employees into salary grades, their promotion, determination of salaries and payroll accounting as well as determination and payment of various bonuses);
- method of financing connection lines at commercial public infrastructure;
- municipal borrowing to finance the construction of commercial public infrastructure;
- use of environmental tax to cover the costs of managing investments in the construction of commercial public infrastructure;
- calculation of the price of services in the arrangement of cemeteries;
- charging the replacement of a water meter;
- defrauding public funds in case of bankruptcy of a company owned by a public institute;
- eligible use of funds from the rent of commercial public infrastructure at the commercial public service of municipal waste disposal;
- 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 2013 continued with best practice of sharing their experience and audit findings with budget users from different sectors and segments.

Regional consultations with the representatives of local communities

In 2011, the Court of Audit of the Republic of Slovenia, in cooperation with municipalities, started with the second round of regional consultations with mayors of municipalities, directors of municipal administrations respectively entities responsible for the field of finances, which it completed in 2012. Such consultations with municipalities had already been organised in the years 2007 and 2008, whereby the Court of Audit had sent its final report to the National Assembly of the Republic of Slovenia, the Commission for Public Finance Control, the then Ministry of the Environment and Spatial Planning as well as two other government offices. At the consultations, the representatives of the Court of Audit presented a series of audit findings from the field of operations of municipalities and their commercial public services and the accompanying audit opinions issued by the Court of Audit in the framework of its advisory role. Such presentations were followed by discussions. With a view to drawing attention to the problems in the operations of municipalities, the Court of Audit merged the issues discussed at the consultations into a text entitled the Report of the Court of Audit on regional consultations with the representatives of municipalities in the period 2011-2012. The report was considered at the 25th regular meeting of the Commission for Public Finance Control on 27 June 2013.

Other trainings for budget users

In February, there was a round table entitled Position and functioning of supervisory institutions organised in Ljubljana by the Constitutional Law Society. It was participated by Dr Igor Šoltes, President of the Court of Audit. Included in the discussion were also Dr Zdenka Čebašek Travnik, Human Rights Ombudsman, Nataša Pirc Musar, Information Commissioner, and Dr Liljana Selinšek, Deputy President of the Commission for the Prevention of Corruption.

In March, Dr Igor Šoltes, at the invitation of Mr Mitja Bervar, President of the National Council, attended the meeting on the management of state financial assets pertaining to the establishment of the Slovenian Sovereign Holding (SSH), where he held his introductory report. The report entitled The position of the Court of Audit of the Republic of Slovenia regarding the establishment of the Slovenian Sovereign Holding covered various aspects of the management of state financial assets - new solutions, powers of the Court of Audit in terms of SSH, compliance of SSH with the Slovenian Constitution and sales procedures. Introductory reports were held also by Dr Peter Kraljič, Nataša Pirc Musar, Marko Golob, Andrej Šircelj, MSc, Dr France Arhar, and other experts.

In March, the Court of Audit held a public presentation of the Report on regional consultations with the representatives of municipalities together with the Association of Municipalities and Towns of Slovenia (Skupnost občin Slovenije) and the Association of Municipalities of Slovenia (Združenje občin Slovenije). Dr Igor Šoltes, President of the Court of Audit, and Mojca Planinšek and Samo Jereb, Supreme State auditors, highlighted the main findings from the Report of the Court of Audit on regional consultations with the representatives of municipalities in the period 2011-2012. The participants were addressed also by Dr Ivan Žagar, President of the Association of Municipalities and Towns of Slovenia, and Robert Smrdelj, President of the Association of Municipalities of Slovenia. Presented during the meeting were problems in the operations of municipalities and proposals for the amendment of legislation governing their operations.

In March, at the invitation of Lojze Peterle, President of the Fokus 2031 movement and Member of the European Parliament, Dr Igor Šoltes attended the Conference on Business Ethics, organised by the World Forum for Ethics in Business (WFEB) together with its strategic partner Fokus 2031 in Bled. The participants discussed the importance of an ethics-based approach in dealing with today's challenges. Borut Pahor, President of the Republic of Slovenia, Dr Marko Kranjec, Governor of the Bank of Slovenia, and the co-organisers of the conference, i.e. Sri Sri Ravi Shankar, co-founder of WFEB, Lojze Peterle, President of the Fokus 2031 movement and Member of the European Parliament, and Dr Danica Purg, Director of IEDC, each held their speeches.

At the end of March, Dr Igor Šoltes, President of the Court of Audit, held a lecture for internal auditors from financial institutions and the public sector at the monthly thematic meeting of the Slovenian IIA Section (Institute for Internal Audit), which operates under the Slovenian Institute of Auditors. The theme of the meeting, which was attended by about 50 participants, was related to the system of reporting unethical conduct of a IIA member (conduct inconsistent with the IIA code of ethics) and the issues in respect of such conduct, as perceived by internal auditors. The introductory lecture was followed by a discussion on measures and actions in the event of detection of problematic conduct and gathering evidence in respect thereof, on issues related to public procurement as well as other themes related to the independent functioning of internal auditors, ethics and integrity.

In April, a third Conference on the recording of commercial public infrastructure in Slovenia took place. It was attended also by Samo Jereb, Supreme State Auditor, who presented the audit report The arrangement of relations concerning infrastructure for the performance of commercial public services. The Conference was organised by the Surveying and Mapping Authority of the Republic of Slovenia, presenting the results of certain most visible projects in the field of recording commercial public infrastructure at the state and local level.

At the end of April, there was a round table entitled *The Responsibility of the Word* taking place in Ljubljana, organised by the International Media Centre and the Pristop communication management company. Dr Igor Šoltes was among active participants.

Petra Zemljič, MSc, Adviser to the President, was involved in the implementation of a series of conferences on the internal control of public finance, organised by the Budget Supervision Office. There were seven regional conferences organised up to May 2013, i.e. in Celje, Kranj, Koper, Novo mesto, Murska Sobota, Maribor and Ljubljana. They were aimed at illustrating the importance of internal control of public finance in the functioning of public sector institutions and presenting the potential benefits of adequately established internal audit function for the budget users.

At the beginning of May, an International conference of the Slovenian IIA Section (Institute for Internal Audit), which operates under the Slovenian Institute of Auditors, took place in Ljubljana, as well as a round table entitled *What can we do that tomorrow will be better in Slovenia?* The main topics of the conference were corporate management and internal audit while the participants of the round table as part of the conference discussed ways of improving the situation in the state. Actively present were Dr Igor Šoltes, President of the Court of Audit, Nataša Prah, Director of the Budget Supervision Office, Peter Groznik, Chairman of the Supervisory Board of the Pivovarna Union (Union Brewery) Company, Zvonko Ivanušič, Chairman of the Board of the Pozavarovalnica Sava (Sava Reinsurance) Company and Benedikt Jeranko, Director General of the Agency for Agricultural Markets and Rural Development.

In June, Ljubljana hosted an international conference *Structural Challenges of Slovenian Economy*. Jorg Kristijan Petrovič, MSc, and Zoran Mladenovič, Deputy Presidents, were among the participants of the conference, which was organised by the Institute of Macroeconomic Analysis and Development (IMAD). In the invitation to the conference, numerous structural challenges were indicated as key factors for the improvement of the economic picture of Slovenia and further development, notably fiscal policy with an emphasis on the consolidation of public finance, policies from the field of labour market as well as tax administration. Present at the conference were experts of various international institutions, i.e. the International Monetary Fund, the European Commission, foreign universities, and national representatives of IMAD and faculties.

At the end of November, Samo Jereb, Supreme State Auditor, attended a two-day meeting pertaining to the detection and investigation of corruption offences in the field of environment and spatial planning. The meeting, which was organised by the General Police Directorate, Criminal Police Directorate, took place at the Gotenica training centre. Samo Jereb discussed the risk of corruption in the field of environment and highlighted the relevant regulations, environmental audits and the accompanying findings. He illustrated measures and sanctions and the most frequent violations of regulations. He provided practical examples.

In December, Jorg Kristijan Petrovič, MSc, First Deputy President, welcomed a group of students of the Celje School of Economics, higher vocational college, who were on their study visit to Ljubljana. He presented the powers and the organisation of the Court of Audit.

Strategic objective 5

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

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

Training of human resources for obtaining a professional level of education

In 2013, there was no internal call for the conclusion of contracts on education. At the end of 2013, the Court of Audit had 11 contracts on education concluded, namely nine for post-graduate and two for graduate studies.

Training of human resources for obtaining skills

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

There was no training organised in 2013 for obtaining the title state auditor. Three employees who were awarded the title state auditor in 2013 completed their training in 2012. They were awarded the title once they fulfilled other relevant conditions.

Three employees were awarded the title certified state auditor.

At the end of 2013, there was one employee that had a contract on training for taking a bar exam and two employees for obtaining the title certified state auditor.

There was a training in the field of fire safety organised for all the employees.

Upgrading the knowledge of human resources

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

Strategic objective 6

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

Cooperation with the National Assembly of the Republic of Slovenia

The National Assembly has to discuss audit and annual reports of the Court of Audit as defined by the Court of Audit Act. Therefore, the Court of Audit delivers all issued audit reports to the National Assembly. The reports are considered by the Commission for Public Finance Control (hereinafter: the Commission). In 2013, the Court of Audit continued with the preparation of questionnaires for discussions about audit reports at Commission's meetings, since the questionnaires were helpful to the members of the Commission in considering individual audit reports. There were preparatory meetings for the members of the Commission reintroduced in the year 2012, where the members of the Senate and the Supreme State Auditors with their associates give detailed presentation of the contents of the questionnaire before the actual meeting.

In 2013, the Commission in the framework of eight regular meetings addressed 19 audit reports (six less than in the previous year), seven post-audit report (six less than in the previous year), the Annual report of the Court of Audit for the year 2012 and the Report of the Court of Audit on regional consultations with the representatives of municipalities in the period 2011-2012. 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
21th regular	23/1/2013	<ol style="list-style-type: none"> 1. Operations of Slovenske železnice, d. o. o., Ljubljana (Slovenian Railways Company) - management of real estate - audit and post-audit report 2. Efficiency of contract management - audit report 3. Operations of Pošta Slovenije, d. o. o., Maribor (Post of Slovenia) in transferring unaddressed publications - audit report
22th regular	7/2/2013	<ol style="list-style-type: none"> 1. Regulation of the field of municipalities - audit and post audit report 2. Operations of the Municipality of Celje - audit report 3. Regularity of a part of operations of the Municipality of Bloke - audit report 4. Operations of the Municipality of Kočevje - audit report 5. Operations of the Municipality of Radovljica - audit report
23th regular	14/5/2013	<ol style="list-style-type: none"> 1. Regularity of a part of operations of Radio Television Slovenia - audit and post-audit report 2. Annual report of the Court of Audit for 2012

No. of meeting	Date	Audit report
24th regular	4/6/2013	<ol style="list-style-type: none"> 1. Financial and regularity audit of operations of the Health Insurance Institute in the year 2010 - audit and post-audit report 2. Financial and regularity audit of operations of the Health Insurance Institute in the year 2011 - audit and post-audit report 3. Receipt, processing and control of applications at the Health Insurance Institute of Slovenia - audit report
25th regular	27/6/2013	<ol style="list-style-type: none"> 1. Report of the Court of Audit on regional consultations with the representatives of municipalities in the period 2011-2012 2. Establishment of the right of superficies in the Municipality of Lenart - audit report 3. Establishment of the right of superficies in the Municipality of Dol pri Ljubljani - audit report 4. Establishment of the right of superficies in the Municipality of Slovenska Bistrica - audit report
27th regular	3/10/2013	<ol style="list-style-type: none"> 1. Financial and regularity audit of operations of the Pension and Disability Insurance Institute of Slovenia in the year 2011 - audit report 2. Borrowing, planning and reporting on public debt - audit report 3. Corrective measures under the audit of the proposal of the annual financial statement of the budget of the Republic of Slovenia for the year 2011 - post-audit report
28th regular	7/11/2013	<ol style="list-style-type: none"> 1. Proposal of the annual financial statement of the budget of the Republic of Slovenia for the year 2012 - audit report
30th regular	5/12/2013	<ol style="list-style-type: none"> 1. Implementation of the Water Act - audit and post-audit report

International cooperation

The annual objectives set by the Court of Audit in the field of international cooperation, i.e. to strengthen cooperation with other supreme audit institutions and with its participation at international seminars and workshops enhance the capacity and skills of the employees as well as become an internationally well established and recognised audit institution, were achieved also in the year 2013 but the extent of cooperation was due to resource constraints significantly reduced. 17 representatives of the Court of Audit participated at 15 meetings and consultations abroad, where they made 13 presentations. The Court of Audit was visited by five foreign delegations. The delegations were prepared special programmes, with the Court of Audit presenting its work and highlighting those topics that were of the highest interest to the participants from abroad.

The representatives of the Court of Audit attended especially the conferences, working group meetings and consultations taking place within the Contact Committee, the European Organisation of Supreme

Audit Institutions (EUROSAI) and the V4+2 group.

The stress should be put also on the organisation of the meeting of the Heads of Supreme Audit Institutions of the Visegrad Group (V4+2). Each SAI of the group organises the meeting every six years and it was the Court of Audit of the Republic of Slovenia that was responsible for the organisation in 2013. The meeting, which took place in September in Piran, was prepared extremely rationally, with minimal material costs and with no outsourcing whatsoever. Yet it was assessed as very successful and done at a high level by all the participants from Austria, Czech Republic, Hungary, Slovakia and Poland.

Cooperation within the Contact Committee

Within the *Contact Committee*, which brings together representatives of Supreme Audit Institutions of the Member States of the European Union, a meeting took place in May as part of the preparations for the meeting of the Heads of Supreme Audit Institutions. The meeting was attended by one representative of the Court of Audit, who is a member of the relevant working group. In October, a regular annual meeting of the Contact Committee took place in Vilnius in Lithuania, attended by the President of the Court of Audit.

In June, there was a seminar of the *Working Group on Fiscal Policy Auditing* taking place in Postdam in Germany, with the participation of Jorg Kristijan Petrovič, MSc, First Deputy President. The meeting aimed at presenting the activities of the involved Member States of the European Union, pertaining to the enforcement of fiscal rules and fiscal councils. Petrovič, MSc, held a lecture on the enforcement of the fiscal rule in the Republic of Slovenia.

Representatives of the Court of Audit participated in the implementation of an international parallel audit of the *Working Group on Structural Funds V*. Together with their colleagues from the SAIs of the Netherlands and Germany they formed a core group, which set up, planned and coordinated the work of 12 participating countries as well as prepared a final report of the audit on the simplification of the European Cohesion Policy implementation system. As part of this procedure, a representative of the Court of Audit of the Republic of Slovenia attended a working meeting, i.e. the presentation of the audit, at the European Commission, in the Cabinet of the Commissioner Šemeta, DG Budget. The European Commission namely showed great interest in the findings and experience of the Member States, which should be used in the formation of the rules for the new programming period 2014-2020.

Bilateral cooperation

In March, at the invitation of Giedrė Švedienė, MA, President of the Supreme Audit Institution of Lithuania, Dr Igor Šoltes, President of the Court of Audit of the Republic of Slovenia, was on his *two-day official visit at the National Audit Office of Lithuania*. The Presidents discussed the powers and organisation of both Supreme Audit Institutions. Aside from the presentation of the functioning of both Supreme Audit Institutions, the discussion involved the topics related to the implementation of environmental audits and to more important findings of audits concerning the proposal of the annual financial statement of the state budget. Dr Šoltes was welcomed also at the Parliament of the Republic of Lithuania, where he presented to the members of the Committee of Budget and Finance the experience of Slovenia in the cooperation between the Court of Audit and the Parliament. He presented the working method in considering performance audit reports, where the Court of Audit of the Republic of Slovenia, following

the example by the United Kingdom, has been preparing questionnaires for the members of the Commission for Public Finance Control.

At the beginning of April, at the invitation of Dr Ján Jasovský, President of the Supreme Audit Institution of the Slovak Republic, Dr Igor Šoltes attended *an expert seminar and a ceremony marking the 20th anniversary of the Supreme Audit Office of the Slovak Republic*, where he had his keynote speech. Dr Robert Fico, Prime Minister of the Slovak Republic, stressed the role and importance of the Supreme Audit Institution of the Slovak Republic in the constitutional system. Mr Pavol Paška, President of the Parliament of the Slovak Republic, stated that in the past two decades the institution had achieved a lot of success and that its development had become essential not only in terms of auditing but also in terms of providing advice to the users of public funds. Dr Ivan Gašparovič, President of the Slovak Republic, was the guest of honour. He described this landmark anniversary an opportunity to set new objectives.

At the end of April, at the invitation of Dr Sergei Stepashin, Chairman of the Accounts Chamber of the Russian Federation, Dr Igor Šoltes, President of the Court of Audit of the Republic of Slovenia, made his official visit at the Accounts Chamber, accompanied by Her Excellency Ada Filip-Slivnik, Ambassador of the Republic of Slovenia to the Russian Federation. The Presidents Dr Šoltes and Dr Stepashin signed an Agreement on the parallel audit by the Court of Audit of the Republic of Slovenia and the Accounts Chamber of the Russian Federation. The audit is entitled „Audit of implementation of the Memorandum between the Governments of the Republic of Slovenia and the Russian Federation on important projects for expansion of the bilateral economic cooperation signed in Moscow on 17 November 2010“. The objective of the audit is to assess the status of economic cooperation between the Republic of Slovenia and the Russian Federation taking into consideration fulfilling of the Programme for the implementation of the Memorandum. At an expert seminar, Dr Šoltes presented in detail auditing in the field of public procurement in Slovenia, good practices and international experience of the EU Member States. The participants discussed strategies of both institutions, audits of the state budget and cooperation with the Parliament.

At the end of June, Tomaž Vesel, President of the Court of Audit of the Republic of Slovenia, attended *an expert seminar and a ceremony marking the 20th anniversary of the Supreme Audit Institution of the Czech Republic*. He was honoured to have his keynote speech during which he outlined the vision of the Court of Audit for the next term of office and stressed the importance of bilateral cooperation which through the exchange of good practices enables the institutions to acquire direct experience in the field of auditing. Aside from Miloslav Kala, President of the Supreme Audit Institution of the Czech Republic, the speakers in the introductory part were also Milan Štěch, President of the Senate of the Czech Republic, and Zdeňka Horníková, Deputy President of the Supreme Audit Institution of the Czech Republic. Also present were certain members of the European Court of Auditors and Presidents of the Supreme Audit Institutions of the Members States of the European Union.

In July, Jorg Kristijan Petrovič, MSc, and Zoran Mladenovič, Deputy Presidents, *welcomed the delegation of the Supreme Audit Institution of India*. At the working meeting, they discussed the candidacy of the SAI of India to become one of the three Members of the United Nations Board of Auditors. The Court of Audit of the Republic of Slovenia aligned its position with the Ministry of Foreign Affairs and expressed support for the candidacy. At the end of the year, the SAI of India was elected one of the three Members of the United Nations Board of Auditors.

In November, at the premises of the Court of Audit of the Republic of Slovenia, Milan M. Cvikl, MSc, Member of the European Court of Auditors, handed over to Tomaž Vesel, President of the Court of Audit of the Republic of Slovenia, *the Annual Report of the European Court of Auditors for the year 2012*. On this occasion, Mr Vesel and Mr Cvikl, MSc, discussed the most important audit findings from the Annual Report.

In the beginning of December, Tomaž Vesel, President of the Court of Audit, welcomed James Hilton, Deputy Ambassador of the United Kingdom to Slovenia, who paid *a courtesy visit* to the institution. They discussed the Strategy of the Court of Audit of the Republic of Slovenia for the period 2014-2020 and the possibilities of mutual cooperation.

Also in December, the President Tomaž Vesel joined the Commission for Public Finance Control at the National Assembly of the Republic of Slovenia to give his opening address at the occasion of *the study visit of the delegation of the Republic of Serbia*, composed of Members of the Parliament, the Court of Audit, the Public Procurement Office and the Commission for Legal Protection in Public Procurement Procedures. Jorg Kristijan Petrovič, MSc, First Deputy President of the Court of Audit, welcomed the delegation at the premises of the Court of Audit and presented the auditing of the state budget.

Cooperation within the V4+2 Group

In September, there was a working meeting of the Heads of the Supreme Audit Institutions of the V4+2 group taking place in Slovenia. The Court of Audit of the Republic of Slovenia, which is responsible for the organisation every six years, hosted the meeting in Piran. The meeting was prepared extremely rationally, with minimal material costs and with no outsourcing whatsoever. Yet it was assessed as very successful and done at a high level by all the participants from Austria, Czech Republic, Hungary, Slovakia and Poland. The participants were welcomed by Mr Peter Bossman, Mayor of the Municipality of Piran, who stressed the importance of good cooperation between supervisory institutions and local self-government. The themes were related to the risk based approach to public procurement, method of planning audits based on the risk analysis, selected issues on tasks and roles of external auditing of the users of public funds in the light of the recent development in European Union economic governance, financial sustainability, the role of fiscal councils in the V4+2 states, guidelines on fraud and corruption as well as budgetary risks of the monetary policy with special regard to the debt rule.

Cooperation within EUROSAI

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

Two seminars of the EUROSAI Working Group on Environmental Auditing entitled Fight against fraud and corruption during audits aimed at the environment and Sustainable land use, which took place in Prague, were attended by one representative of the Court of Audit, who has been a member of the core group. She exposed the issue of the reliability of data for the implementation of environmental audits and presented the completed joint audit of transboundary shipment of waste. She also led the meeting of the Mediterranean Subgroup and participated at the meeting of the Management Board of the EUROSAI Working Group on Environmental Auditing (WGEA).

In November, a representative of the Court of Audit attended the first Young EUROSAI congress, which took place in Rotterdam in the Netherlands. 102 participants from 48 states participated at the congress, which aimed at preparing the message of young auditors for the EUROSAI congress scheduled to be held in The Hague in 2014. The congress focused on innovations that might provide the answer to the challenges of the Supreme Audit Institutions in the next decade.

Cooperation within INTOSAI and other multilateral organisations and consultations

At the beginning of June, the European Commission Directorate General for Enlargement organised an international meeting (more than 20 non-members states of the European Union) on performance audits. One of the lecturers was a Supreme State Auditor of the Court of Audit of the Republic of Slovenia. He presented the approach of the Court of Audit to the implementation of performance audits and information system audits.

Towards the end of October, XXI Congress of the International Organisation of Supreme Audit Institutions (INTOSAI) was held in Beijing, China, also attended by Tomaž Vesel, President of the Court of Audit of the Republic of Slovenia. INTOSAI was founded in 1953 and initially consisted of 34 Member States. Presently, the second largest international organisation in the world involves 191 Supreme Audit Institutions from all around the world. It is an autonomous and apolitical organisation, with a special advisory status within the United Nations Economic and Social Council. The XXI Congress, which marked the celebration of the 60th anniversary of INTOSAI, was attended by more than 600 participants. The Congress is organised once every three years in one of the Members States of INTOSAI. Once again the meeting was structured around the motto of the organisation, *Experientia Mutua Omnibus Prodest* (Mutual Experience Benefits All), which connects the Member States in terms of the transfer of knowledge, best practice and experience.

Cooperation with the media and public

With various forms of work, such as answers to the questions posed by the media, press conferences and press releases, responses to requests for statements on current public finance issues, news with the announcement of events, updated website with the overview of the phases of audits in progress, archive of published audit reports, opinions and answers to frequently asked questions, we want to create the best possible working conditions for journalists and editors observing the work of the Court of Audit.

Questions posed by journalists and requests for additional explanations

Since the year 2006, there had been an increase observed in the number of questions posed by the media on audit procedures and other public finance issues. In the years 2012 and 2013, the trend turned slightly down. In 2013, there were 270 written questions of journalists and requests for additional explanations recorded, which is 27 less compared to the previous year. There were also many telephone inquiries and requests for the recording of statements.

Press conferences

From January to the end of December 2013, there were five press conferences held at the issue of the following audit and post-audit reports and at the time of regional consultations:

1. Joint press conference at the presentation of the Report of the Court of Audit on regional consultations with the representatives of municipalities in the period 2011-2012, attended by Dr Igor Šoltes, President of the Court of Audit, Robert Smrdelj, President of the Association of Municipalities of Slovenia, and Dr Ivan Žagar, President of the Association of Municipalities and Towns of Slovenia;
2. Audit report on the effectiveness of the protection of agricultural land in Slovenia as a condition for self-sufficiency;
3. Audit report on the efficiency of operations of the Ministry of the Environment and Spatial Planning in the implementation of the Water Act in the years 2009-2010;
4. Audit report on the regularity of operations of the Municipality of Maribor in the part that relates to a public-private partnership for the project upgrading and automation of road traffic;
5. Audit report on the efficiency and effectiveness of the system for considering the rights to public funds.

Statistical review of published articles in the media

The number of articles published in the media in 2013 amounted to 6,066, which means an increase by seven percent compared to the previous year. This renewed increase (a decrease was recorded only in 2012) could be attributed not only to the relevance of topics in audit reports, planned media activities after the issue of audit reports, regional consultations and cooperation with local communities, regular informing and good cooperation with the media but also to the fact that the year 2013 saw the election of the new President of the Court of Audit in the National Assembly of the Republic of Slovenia (April) as well as of the First Deputy (February) and Second Deputy (October).

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 2013, the Court of Audit published 129 articles on its website. In order to present the contents of audit reports to a wide range of the public, the news section includes also the publication of brief summaries of audit reports. The public was regularly informed about all activities, press conferences, statements as well as other domestic and international events.

Strategic objective 7

To further improve the institution's work organisation and management

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

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 the internal acts of the Court of Audit for internal auditing. The type and scope of internal auditing in 2013 were defined by a short-term plan of implementing internal audits of the Court of Audit of the Republic of Slovenia for the year 2013.

In 2013, the internal audit of the regularity of operations of the Court of Audit was carried out. It included the audit of financial statements of the Court of Audit for 2012 and the audit of the regularity of the implementation of the financial plan of the Court of Audit for 2012. The audit was carried out in accordance with the fundamental principles and the internal audit standards. In the audit report on the implemented internal audit of the regularity of operations of the Court of Audit of the Republic of Slovenia for the year 2012, the internal auditor expressed an opinion that in the year 2012 the operations of Court of Audit were in accordance with the regulations governing its operation; the financial statements showed the true picture of the assets and liabilities as at 31 December 2012 and profit or loss in the period from 1 January to 31 December 2012. The implementation of the financial plan of the Court of Audit for 2012 was in all material ways in line with the regulations.

AUDIT FINDINGS

Opinions expressed in audit reports

In the issued audit reports where the objectives were either expressing an opinion on the regularity of operations or on the compliance of operations with the regulations and/or on financial statements, a total of 90 opinions were expressed, which is comparable to the year 2011 (91 opinions). In 2012, there were as many as 171 opinions expressed. The high total number of opinions expressed can be attributed to a great share of mandatory audits of organisers of election and referendum campaigns, the number of which amounted to 67.

Opinions expressed within performance audits were descriptive and consisted of assessments of efficiency, effectiveness and economy of operations. In 2013, there were 22 such opinions, one less than in the previous year.

The most frequent type of opinion expressed also in 2013 was an unqualified opinion. Almost a half of the opinions expressed on the regularity of operations and on financial statements were unqualified opinions (47.8 percent respectively 43 opinions). The number of qualified opinions amounted to 32 (35.5 percent) and there were 15 adverse opinions expressed (16.7 percent).

The share of types of opinion expressed is illustrated in Figures 4 and 5.

Figure 4: Types of opinion expressed in 2013 - in total

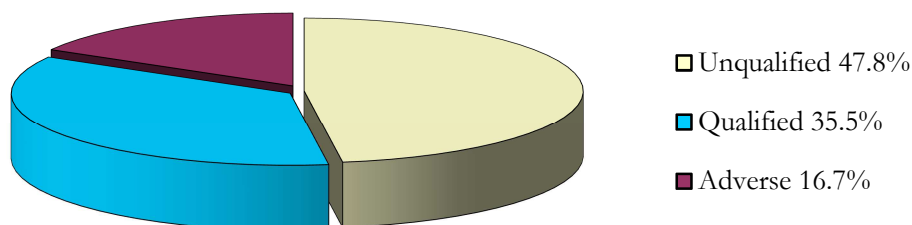
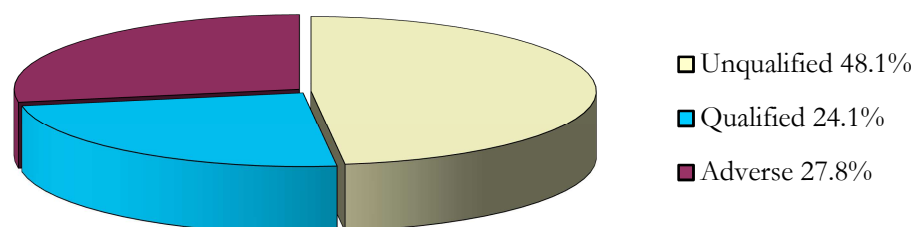
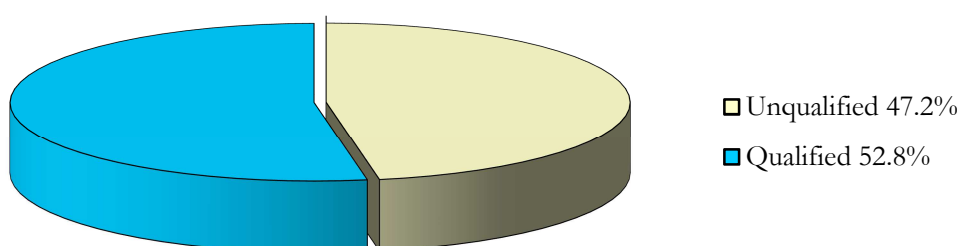


Figure 5: Opinions by audit objectives

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. 26, which is 48.1 percent respectively 13 percent less than in the previous year (60.9 percent). They are followed by adverse opinions, i.e. 15, which represents 27.8 percent. This is seven percent more than in the previous year (20.6 percent). There were 13 qualified opinions expressed, which is 24.1 percent of the total share. Compared to the year 2012, the share increased by six percentage points. 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 only unqualified and qualified opinions. There were no adverse opinions expressed. Such structure can be attributed to the fact that the auditees mainly follow the findings and recommendations from previous years and in the field of financial statements improve their operations. There were 19 qualified opinions expressed (52.8 percent) while 17 opinions were unqualified (47.2 percent).

Most common errors and irregularities

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

The most frequent errors and irregularities in the field of public procurement and public-private partnerships 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 respectively contract notice;
- no exclusion of incomplete tenders from the public procurement procedure;
- less than at least five tenderers were invited to submit an offer in the second phase of the restricted procedure;
- 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 or selection criteria;
- unclear qualification assessment criteria;
- inadequately defined criteria - no weighting of individual (sub)criteria;
- excessive number of (sub)criteria, which 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;
- no verification whether the projects could have been implemented as public-private partnerships.

In the audit of the proposal of the annual financial statement of the budget of the Republic of Slovenia, the following irregularities were established: disclosed under the tax revenue in the revenue and expenditure accounts is also the revenue that does not belong to the budget; disclosed under the revenue are not the revenue from the financial engineering instruments, the revenue from the increase of earmarked assets of a public fund with real estate and the revenue from the increase of earmarked assets of a public fund with a claim; expenditure for the construction of water, state and local infrastructure on the Lower Sava River is disclosed too high; disclosed under the expenditure are not the expenditure from the financial engineering instruments and the expenditure for compensation in accordance with the Payment of compensation to the victims of war and postwar aggression act and the Act regulating the issuing of bonds in compensation for confiscated property pursuant to abrogation of the penalty of confiscation; disclosed in the revenue and expenditure accounts are not the revenue and expenditure arising from insurance operations performed for the Republic of Slovenia by the Slovene Export and Development Bank based on the Slovene Export and Development Bank act; in the financial assets and liabilities account, the expenditure from the financial engineering instruments is disclosed too high; disclosed under the expenditure are not the expenditure from the increase of earmarked assets of a public fund with real estate and the expenditure from the increase of earmarked assets of a public fund with a claim; under the benefits in the financing account, no benefits from the borrowing at the public corporation Infra, d. o. o. Leskovec pri Krškem for the construction of water, state and local infrastructure on the Lower Sava River are disclosed and neither are funds which Slovenska odškodninska družba, d. d., Ljubljana (Slovenian Compensation Company) paid in advance for the payment of compensation in accordance with the Payment of compensation to the victims of war and postwar aggression act and the Act regulating the issuing of bonds in compensation for confiscated property pursuant to abrogation of the penalty of confiscation; the expenditure in the financing account is disclosed too low since the expenditure does not include the repayment of financial liabilities towards the public corporation Infra, d. o. o., Leskovec pri Krškem, arising from the construction of water, state and local infrastructure on the Lower Sava River.

Irregularities in the field of employment, salaries and other remuneration:

- Public Sector Salary System Act: irregular translation of basic salaries; irregular calculation and payment of allowances for round-the-clock and standby duties;
- Foreign Affairs Act: a public servant was appointed to the title she was not qualified for;
- Service in the Slovenian Armed Forces Act: no employment was concluded with a civil servant respectively no relevant decision issued;
- Defence Act: irregular calculation of standby allowance;
- Decree on Promoting Officials to Titles: the examination of compliance with the conditions for promotion was not carried out, a civil servant was not promoted;
- Decree on Internal Organisation, Posts Classification, Posts, and Titles in the Bodies of Public Administration and Justice: irregular classification of two posts;
- Collective Agreement for Public Sector: irregular calculation and payment of allowances for shift work and split shift;
- Agreement on Measures in the Field of Salaries and other Benefits in the Public Sector for the Years 2011 and 2012: annual leave allowance was not paid on time and in the correct amount;
- Rules on the Diplomatic and Higher Diplomatic Exam: no determination of the deadline for taking a higher diplomatic exam.

Irregularities in budgetary commitments:

- Public Finance Act: the payments were not examined for their legal basis or the scope of commitments; funds for designated purposes were provided from the budgetary reserve; budgetary commitments were not based on a written contract; budgetary commitments for the current year were made for the purpose not planned in the budget; two public contracts were not awarded in accordance with public procurement regulations; funds were used for purposes other than those provided for by law and other regulations;
- The Republic of Slovenia Budget for 2003 and 2004 Implementation Act, the Republic of Slovenia Budget for 2008 and 2009 Implementation Act and the Republic of Slovenia Budget for 2011 and 2012 Implementation Act: commitments were paid within the time limits longer than the prescribed; the notice period was agreed too long; budgetary commitments were made for the coming years although the relevant conditions were not complied with;
- Removal of Consequences of Natural Disasters Act: funds were paid from the reserve although the relevant conditions were not complied with;
- Integrity and Prevention of Corruption Act: no anti-corruption clauses were included in the contracts;
- Decree on the Military Service in the Reserve Units of the Slovenian Army by Contract: irregular basis was used for the calculation of funds for readiness;
- Rules on the Procedures of Implementing the Budget of the Republic of Slovenia: commitments were disclosed irregularly; a written contract was not concluded before the commencement of work;
- Instructions for the evaluation of compensation for the purpose of construction and reconstruction of state roads - main and regional roads as well as the appraisal in the immovable property disposal procedures: the appraisal of land was not carried out by an expert appraiser.

Irregularities in the allocation of transfers:

- Public Finance Act: the expenditure did not find the basis in authentic bookkeeping documents; there were no multilateral contracts concluded; the content of applications was allowed to be supplemented; no adequate control was exercised over the implementation of approved programmes of a legal entity; there was no harmonisation ensured between the programmes of work and financial plans of public institutes;
- Financing of Municipalities Act: the Decree did not define in detail the purpose and volume of funds;
- Organisation and Financing of Education Act: late adoption of methodology; no criteria defined in the Rules;
- Act on Core Development Programmes in Education and Science for the 2003-2008 Period: the concluded Contract was not in line with the Act;
- Subsidized Student Meals Act: the selection criteria were not defined clearly;
- Decree on Granting the Concessions to Provide Public Regular Passenger Services in National Road Transport as Public Service Obligations: the Programme for the implementation of concession activities did not indicate the organisation of transport operations and the calculation of prices; the amount of compensation was not determined adequately;
- Decree on the Manner of Performing Mandatory Public Utility Service in the Field of Water Management and on Concessions of These Public Utility Services: the public service was not provided throughout the year;
- Decree on the Implementation of Procedures for the Use of the European Cohesion Policy Funds in the Republic of Slovenia in the Programming Period 2007-2013: the contract notice and the tender documentation did not determine the selection criteria;

- Decree on the Granting of Financial Support for the Maintenance and Development of the Slovene Identity outside the Republic of Slovenia: the tender documentation did not define clearly the manner of applying the criteria and the method of determining the volume of funds allocated;
- Decree on the Methodology Determining the Basis for the Calculation of Funds for Carrying Out Public Services in the Field of Culture: irregular basis was used for the determination of funds;
- Rules on the Procedures of Implementing the Budget of the Republic of Slovenia: the content of applications was allowed to be supplemented; the minutes of the Commission were not signed by all the members of the Commission; the Commission did not adequately verify the eligibility; the contract notice did not indicate all the required elements; the selection criteria were not defined adequately;
- Rules on the Introduction of a New Method for Financing and Organising Educational Work in Secondary Technical Schools, Vocational Colleges and Halls of Residence for Secondary School Students: the contracts were not concluded respectively were concluded too late;
- Rules on the Criteria for the Evaluation of Material Costs of Secondary Schools Providing Gimnazija Programmes and Programmes Leading to Vocational and Secondary Technical Educational Qualifications: material costs were not evaluated adequately;
- Rules on the Norms and Standards for the Implementation of Educational Programmes and a Schooling Programme in Secondary Education: no determination of the amount of the advance payment;
- Rules on the Norms and Standards for the Implementation of the Elementary School Programme: no determination of the amount of the advance payment;
- Rules on Public Tenders for the Selection of the Most Appropriate Expert Solutions for Spatial Arrangements and Structures: no specification of the method of the evaluation of criteria;
- Rules on the Method and Procedure of Co-financing of Providers of the Annual Sports Programme: no indication of the order of the opening of applications;
- Rules on the Criteria for Co-financing the Annual Sports Programme at the National Level: no consideration of the appropriate method of calculating the value of a point.

In relation to the disposal of real estate of municipalities it was established that the municipalities owned land not included in the annual real estate disposal plan, failed to regulate the legal status of real estate prior to the disposal, did not publish their intentions concerning the conclusion of direct contracts, did not adopt individual programmes, did not obtain valuation of the land and neither did they negotiate prices with the interested buyers of real estate. They sold land based on direct contracts irrespective of non-compliance with legal requirements, they determined excessive deadlines for the payment of the purchase price and failed to appoint persons responsible for legal transactions. Moreover, the municipalities issued land register permissions for the entry of the property right in the land register prior to the reception of the entire purchase price. In the selling procedure, they acted contrary to the basic principles of real estate management.

In respect of the renting of real estate, it was found, aside from the findings concerning real estate management, that the real estate was given for rent without any appraisals of the real estate, without the adoption of individual programmes for real estate management and without the publication of intentions of renting the real estate; the real estate was given for rent or free use without a prescribed procedure; the real estate was given for rent without the conclusion of a written rental agreement; the real estate was given for rent for an unlimited period of time respectively for a period longer than permitted under relevant regulations; the settlement of the rent with the invested funds for the construction of a business facility was not recorded.

The Court of Audit also identified some other irregularities in relation to public procurement and budget implementation: with the issue of purchase orders, the municipalities assumed additional liabilities before they had budgetary resources planned; they concluded annexes to the underlying contracts after the completion of works; they failed to obtain financial securities respectively the financial securities were not appropriate; liabilities were not settled within the statutory or contractual payment deadlines; the contractor was charged no penalty for the delayed completion of works; the paid invoices were not based on any contract or purchase order.

In the field of the borrowing of municipalities, the Court of Audit established that in the budget and the revised budget the municipalities failed to plan the extent of borrowing for trade credits, for a short-term loan which turned long-term, for a long-term loan; did not obtain the consent of the Ministry of Finance for the concluded contracts on financial lease and for the contracts which in substance were deemed trade credits; the borrowing exceeded the legal limit; they concluded short-term loan contracts without implementing the procedure for the collection of tenders of lenders; they issued the guarantee to a legal person governed by private law, which they did not report to the Ministry of Finance; they failed to exercise full control over the borrowing by legal entities of public sector at the municipal level.

As regards public-private partnership projects, it was established that the municipalities failed to indicate in the contract notices and tender documentation criteria for the selection of the most economically advantageous tenders; they did not submit in due time the contracts on the establishment of public-private partnerships to the Ministry of Finance; they failed to exercise full control over the implementation of public-private partnerships.

Highlighted in the audit report Regularity of operations of the Municipality of Maribor in the part that relates to a public-private partnership for the project Upgrading and Automation of Road Traffic in the Municipality of Maribor should be the following irregularities: the Municipality failed to prepare comprehensive investment documentation, which would have provided an adequate scientific basis for further decisions; it did not include the project in the plan of development programmes; it did not implement the complete preliminary procedure prior to the adoption of the decision on a public-private partnership; in the second phase of a competitive dialogue, it changed and expanded the subject of the public-private partnership, which was thus significantly different from the one initially planned and tendered; the competitive dialogue procedure was not adequately completed as ineffective due to the non-compliance with the minimal condition by three candidates; it failed to envisage in the public-private partnership act methods for the financing of the public-private partnership and financial relations between a public and private partner; agreed in the public-private partnership contract was a method for the financing of the project, which was contrary to the Public-Private Partnership Act.

Major irregularities identified in the audit Establishment of the right of superficies in the Municipality of Gorišnica are the following: the Municipality failed to ensure the awarding of a facility construction project, which involved elements both of a public contract and public-private partnership, in compliance with public procurement regulations and public-private partnership regulations and did not consider the total value of the works; it did not prepare investment documentation; it did not manage the Municipality assets as a good manager, since it did not obtain the estimated value of the real estate which was the subject of trade and neither did it consider in determining the equivalents of the trade all the costs paid by the Municipality.

Among the irregularities identified in the audit Regularity of operations in the management and expansion of the Ostri vrh non-hazardous waste landfill, the irregularities related to the Municipality of Logatec should be emphasised: as the owner of the Ostri vrh non-hazardous waste landfill it expanded the landfill without obtaining a construction permit, environmental approval and environmental permit; it concluded with other municipalities respectively providers of a commercial public service of municipal waste collection and transport contracts for the disposal of waste at the non-hazardous waste landfill and thus indirectly caused the disposal of waste at the expanded section of the landfill irrespective of the fact that it did not obtain for this section of the landfill an operating permit in accordance with construction regulations; it did not implement measures of the then Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning to stop the expansion of the Ostri vrh non-hazardous waste landfill at a particular part of the land, to remove the facility and return the land to its previous state; it failed to establish a budgetary fund for the financial security funds earmarked for the closing of the Ostri vrh non-hazardous waste landfill and the funds were thus used for other purposes in the framework of the municipal annual budget.

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

- The value of fixed assets disclosed in the Institute general ledger at the balance sheet date differed from the value disclosed in the register of fixed assets;
- the Institute disclosed the value of tangible fixed assets, which was too low; the excess of revenues over expenses from the previous years was disclosed too low as well and so was the excess of revenues over expenses due to the late start of depreciation of tangible fixed assets and the use of irregular depreciation rates;
- long-term investments and commitments for long-term investments were overstated since the Institute failed to determine regularly the amount of the revaluation of financial investments;
- the Institute did not prepare the statement of revenues and expenses by the types of activities in accordance with the relevant regulations; it therefore overstated the excess of revenues over expenses from market activities respectively understated the excess of revenues over expenses from public service activities;
- due to the understated excess of revenues over expenses from the previous years and for the year under audit, the corporate income tax return by individual years was too low and so were the commitments at the balance sheet date;
- the Institute failed to disclose among tangible fixed assets the value of land and real estate and it therefore understated the commitments for assets under management;
- the Institute did not compile an inventory of library material;
- among other expenses, the Institute unjustifiably disclosed the payments into the reserve fund according to the Housing Act and therefore understated long-term operating receivables as well as the excess of revenues over expenses;
- under the accrued expenses and deferred revenues, the Institute disclosed deferred revenues which actually demonstrated the revenues of the year under audit, since they were received to cover the expenses already incurred in the year concerned; due to the irregularly disclosed revenues, it overstated the excess of expenses over revenues; it disclosed long-term deferred revenues under the accrued expenses and deferred revenues rather than under the long-term accruals;
- the Institute failed to establish an off-balance sheet of received and given bank guarantees.

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

- civil servants were promoted before meeting all the required conditions;
- after the translation, civil servants were allocated to work posts for which they did not fulfil the conditions;
- civil servants were determined and calculated their basic salaries contrary to the Public Sector Salary System Act;
- a part of the salary as a performance bonus for the increased work load was not determined in accordance with the Public Sector Salary System Act;
- work contracts were concluded contrary to the Employment Relationship Act;
- the Institute failed to determine the actually existing and occupied workplaces in its internal acts, which is contrary to the Civil Servants Act and relevant regulations;
- civil servants were placed to workplaces contrary to the relevant internal acts.

In its audit of the regularity of operations of the Ministry of the Environment and Spatial Planning in establishing conditions for the performance of chimney sweeping services and exercising control over the implementation thereof in the years 2009, 2010 and 2011, the Court of Audit established that the Ministry:

- failed to select a new concessionaire after the bankruptcy of the existing one; did not issue a permit for the transfer of the concession respectively did not conclude a concession contract with the universal legal successor of the concessionaire after the issued transfer permit;
- did not carry out any withdrawal of concessions and neither did it initiate procedures for the withdrawal of concessions of concessionaires in 133 chimney sweeping areas due to the violation of regulations;
- did not establish and keep records of combustion installations and chimney sweeping services, which it should have already since 1 January 2007, and failed to prepare forms and a web application, which would have enabled the reporting by the public utility service providers.

In the field of performance audits, the following inefficiencies should be highlighted:

- not clearly enough defined responsibilities, roles and/or relations between the entities in the audited field;
- new regulations or amendments to old regulations have been adopted without clearly assessing their effects in advance, whereby subsequent analyses of the existing regulations have been conducted very rarely;
- transparency of the planning and implementation of financing is often poor;
- basic strategic documents, if any, are often inconsistent;
- inadequate planning of amendments and inefficient preparations for the implementation of amendments;
- inefficient information support to the decision-making and thus inefficient performance of tasks;
- numerous and very similar deficiencies (in terms of planning, the system for the assessment of operations, the definition of responsibilities, reporting, the link between financial resources and activities) have been established also at all the ministries in all phases of the results-based budgeting.

As regards the European Union funds and international organisations, the following irregularities were found:

- simplification of the European Cohesion Policy: inefficiencies in the fields of planning, monitoring and data availability;

- promotion of foreign direct investment: the lack of programme documents, the absence of coordinated and uniform operation of all the stakeholders in the implementation of policies, insufficiently developed objectives and measures for the achievement of objectives.

PRESENTATION OF WORK BY AUDIT DEPARTMENTS AND IMPLEMENTED AUDITS

The field of the state budget and direct state budget users

The audit department B1 covers audits of operations of direct government and non-government budget users, organisers of election and referendum campaigns as well as political parties.

In 2013, the department was carrying out 40 audits. There were 34 audit reports issued at the end of 2013 as well as two post-audit reports. Four audit reports and two post-audit reports will be issued in 2014. In the middle of 2013, two audits were transferred to the audit department B5. In 34 issued audit reports, a regularity or performance audit opinion was expressed to 54 auditees. Namely, opinion on the regularity of operations to 47 auditees (in 31 audits) and performance audit opinion to ten auditees (in three audits). A financial audit opinion was expressed to 31 auditees (in 31 audits).

Audits reports issued in 2013 are the following:

1. Proposal of the annual financial statement of the budget of the Republic of Slovenia for the year 2012 and the regularity of the implementation of the budget in the year 2012;
2. Borrowing, planning and reporting on public debt;
3. Utilization of research equipment in 2011 and in the first half of 2012;
4. Effectiveness of the protection of agricultural land as a condition for self-sufficiency in 2010;
5. Regularity of financing the election campaign of Borut Pahor, candidate for the President of the Republic of Slovenia;
6. Regularity of financing the election campaign of Dr Danilo Türk, candidate for the President of the Republic of Slovenia;
7. Regularity of financing the election campaign of Dr Milan Zver, candidate for the President of the Republic of Slovenia;
8. Regularity of financing the referendum campaign of the Family Code Institute, Ljubljana, for the legislative referendum on the Family Code;
9. Regularity of financing the referendum campaign of the Student Organisation of the University of Ljubljana for the legislative referendum on the Family Code;
10. Regularity of financing the referendum campaign of the party of SMS, Youth Party - European Greens, for the legislative referendum on the Family Code;
11. Regularity of financing the referendum campaign of the Pride Parade Society for the legislative referendum on the Family Code;

12. Regularity of financing the referendum campaign of the Open Institute for Cultural Diversity for the legislative referendum on the Family Code;
13. Regularity of financing the referendum campaign of the United World Society for the legislative referendum on the Family Code;
14. Regularity of financing the referendum campaign of the Society Youth Cultural Work Centre Postojna for the legislative referendum on the Family Code;
15. Regularity of financing the referendum campaign of the Council of Catholic Laypersons of Slovenia for the legislative referendum on the Family Code;
16. Regularity of financing the referendum campaign of Tanja Jenko for the legislative referendum on the Family Code;
17. Regularity of financing the referendum campaign of the Family Initiative - Association for Family-Friendly Society for the legislative referendum on the Family Code;
18. Regularity of financing the referendum campaign of Roman Vodeb for the legislative referendum on the Family Code;
19. Regularity of financing the referendum campaign of Dr Tadej Stegu for the legislative referendum on the Family Code;
20. Regularity of financing the referendum campaign of the party of SEM-Si, Slovenian Party of Equal Opportunities, for the legislative referendum on the Family Code;
21. Regularity of financing the referendum campaign of the party of LDS, Liberal Democracy of Slovenia, for the legislative referendum on the Family Code;
22. Regularity of financing the referendum campaign of the Institute for Family and Culture of Life for the legislative referendum on the Family Code;
23. Regularity of financing the referendum campaign of DIH Association - Equal under the Rainbow, for the legislative referendum on the Family Code;
24. Regularity of financing the referendum campaign of the Women's Lobby of Slovenia Association for the legislative referendum on the Family Code;
25. Regularity of financing the referendum campaign of the party of ZARES, Social Liberals, for the legislative referendum on the Family Code;
26. Regularity of financing the referendum campaign of the Party for Sustainable Development of Slovenia, TRS, for the legislative referendum on the Family Code;
27. Regularity of financing the referendum campaign of the party of N.Si, New Slovenia - Christian People's Party, for the legislative referendum on the Family Code;
28. Regularity of financing the referendum campaign of Aleš Primc, Head of the Civil Initiative for Family and Children's Rights, for the legislative referendum on the Family Code;
29. Regularity of financing the referendum campaign of the party of SLS, Slovenian People's Party, for the legislative referendum on the Family Code;
30. Regularity of financing the referendum campaign of the party of SDS, Slovenian Democratic Party, for the legislative referendum on the Family Code;
31. Regularity of financing the referendum campaign of the party of SD, Social Democrats, for the legislative referendum on the Family Code;
32. Regularity of financing the referendum campaign of the party of PS, Positive Slovenia, for the legislative referendum on the Family Code;
33. Regularity of financing the referendum campaign of the Association for Non-Violent Communication for the legislative referendum on the Family Code;
34. Regularity of financing the referendum campaign of the party of DL, Civic List, for the legislative referendum on the Family Code;

There were two post-audit reports issued:

1. Corrective measures under the audit of the proposal of the annual financial statement of the budget of the Republic of Slovenia for the year 2011; and
2. Corrective measures of the National Council of the Republic of Slovenia.

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 2013, the audit department B1 reviewed all annual reports on the operations of the political parties for the year 2011 in line with the Political Parties Act. The political parties must submit to the National Assembly of the Republic of Slovenia their annual reports on their operations. Before being delivered to the National Assembly, the annual reports must be examined by the Court of Audit. Records on the examination must be attached to the annual reports and delivered to the National Assembly. Every political party must submit to the Court of Audit their annual report by March 31 of the current year at the latest.

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

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

Borrowing, Planning and Reporting on Public Debt

The audit objective was to express an opinion on the effectiveness of the implementation of corrective measures and recommendations indicated in the audit report Public debt of the Republic of Slovenia from 2003 to 2006 (hereinafter: the audit report Public debt 2003-2006). The Court of Audit assessed whether by 31 December 2010 the Government and the Ministry of Finance had achieved objectives through the implementation of the required corrective measures and whether they had complied with the recommendations provided by the Court of Audit in the audit report Public Debt 2003-2006.

The Ministry submitted to the Government by the date of 31 December 2010 proposed amendments to the Act, which, however, did not include the definition of general government deficit, a provision on the compulsory preparation of the consolidated general government budgetary account and the definition of public debt of the Republic of Slovenia. The Government thus submitted to the National Assembly

proposed amendments to the Act, which did not contain such definitions. The Government failed to consider the proposed strategic policies in the field of issuing guarantees of the Republic of Slovenia. The Ministry of Finance did not submit to the Government the proposed amendments to the Public Finance Act, which would have provided for the principles to be considered in the selection of instruments for the insurance of state guarantees, and neither did it submit proposed amendments to the Public Finance Act, which would have included a provision to oblige the Ministry of Finance to prepare and the Government to approve the extended report on public debt of the Republic of Slovenia. The measures required by the Court of Audit were thus not implemented. The Government and the Ministry of Finance failed to comply with the recommendations of the Court of Audit to set measurable objectives related to the volume of deficit and debt, since the documents for the planning of the fiscal policy of the Republic of Slovenia, prepared in the period from 6 November 2008 to 31 December 2010, do not define measurable objectives in terms of general government deficit and public debt, measured according to national methodology.

The objective of the recommendation of the Court of Audit, related to the compliance with the recommendation of the European Commission on the cooperation of national parliaments in the preparation of stability programmes, was achieved, as the stability programmes and the amendments thereof became the subject of discussion at the sessions of the National Assembly working bodies.

By adopting the Decree on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act, the Government initiated the procedure for the extension of short-term borrowing, which limits the possibility of borrowing by legal entities under less favourable conditions. The auditees thus implemented the measure they announced in their respective response reports based on the requirement by the Court of Audit.

Up until 31 December 2010, the Government respectively the Ministry of Finance failed to propose amendments to regulations, which would have ensured the complete inclusion of borrowing and issuing of guarantees by all public sector legal entities at the level of the state, whose borrowing should be monitored. This means that they did not comply with the recommendation of the Court of Audit, related to the examination of the adequacy of the provision of the Public Finance Act respectively of the implementing acts adopted on the basis of the Act and to the proposal of the amendments thereof. The auditees partially complied with the recommendation of the Court of Audit to include in the extended report on public debt of the Republic of Slovenia the presentation of contingent liabilities arising from guarantees given by the Republic of Slovenia, as well as other liabilities arising from legal transactions with the effect of long-term borrowing.

Utilization of Research Equipment in 2011 and in the First Half of 2012

The Court of Audit audited the utilization of research equipment in 2011 and in the first half of 2012, financed or co-financed from the state budget and/or budget of the European Union, irrespective of the period of co-financing. The audit objective was to express an opinion on the efficiency of the use of the research equipment, whereby the efficiency of the use of the equipment notably means its utilization. The Court of Audit did not assess the efficiency of the research activity.

In 2011 and in the first half of 2012, the concept of research equipment was not defined in the relevant regulations and strategic documents. There was only the definition of the concept of research infrastructure. Research infrastructure is a broader concept than the concept of research equipment,

because in addition to the research equipment it includes other capacities, resources and services, which is a prerequisite for the performance of research activities. The Ministry of Higher Education, Science and Technology and the Slovenian Research Agency co-financed the purchase of research equipment through calls for tender and indirectly also by covering depreciation costs for the implementation of research programmes and projects. The Court of Audit identified that in the period from 1 January 2007 to 30 June 2012 the Ministry and the Slovenian Research Agency had provided from the state budget and the budget of the European Union the amount of EUR 114.3 million for co-financing the purchase of the research equipment.

It established the lack of uniform, accurate and complete records of all the research equipment in the Republic of Slovenia, co-financed from the state budget and the budget of the European Union in the period covered by the audit. Moreover, the data on the utilization of the research equipment, collected by the Slovenian Research Agency were not accurate. The Ministry and the Slovenian Research Agency did not sufficiently contribute to increasing the utilization of the existing research equipment. The procedure of planning the purchase of the research equipment at the Faculty of Chemistry and Chemical Technology of the University of Ljubljana and at the Institute of Chemistry was not uniform and transparent.

The Court of Audit thus expressed an opinion that the Ministry, the Slovenian Research Agency, the Faculty of Chemistry and Chemical Technology of the University of Ljubljana and the Institute of Chemistry had not been efficient in the utilization of the research equipment co-financed from the state budget and the budget of the European Union. After the period covered by the audit, the Slovenian Research Agency carried out some measures, which, however, did not alter the opinion of the Court of Audit. Instead of providing fragmented data on the research equipment in the form of monthly reports, it published data on the complete research equipment in a single table. In the same period, the Slovenian Research Agency demanded from the relevant research organisations also data on the research equipment purchased with the funds allocated to cover the cost of depreciation of the research equipment. The research organisations further reported that they had bought 68 pieces of research equipment in the total value of more than EUR 5 million.

In the light of the fact that the Ministry had not yet initiated the activities for the establishment of a transparent, publicly accessible portal, which would have clearly illustrated the existing research equipment together with available capacities and which would have enabled the application for the use of the equipment, even though such portal is provided for in the Resolution on the Research and Innovation Strategy of Slovenia 2011-2020 and in the Research Infrastructure Development Plan 2011-2020, the Court of Audit demanded from the Ministry to submit a response report.

Effectiveness of the Protection of Agricultural Land as a Condition for Self-Sufficiency in 2010

The auditees were the Government, the Ministry of Agriculture, Forestry and Food, the Ministry of the Environment and Spatial Planning and the Farmland and Forest Fund of the Republic of Slovenia. In accordance with the Act Amending the Public Administration Act, the then Ministry of Agriculture, Forestry and Food has been active as the Ministry of Agriculture and the Environment, which has also assumed part of the tasks of the then Ministry of the Environment and Spatial Planning in terms of environment. Part of the tasks of the then Ministry of the Environment and Spatial Planning, related to the spatial planning, has been taken over by the Ministry of Infrastructure and Spatial Planning.

The Court of Audit examined whether in the period covered by the audit:

- the concept of the protection of agricultural land and the objectives in the field concerned had been defined clearly;
- whether the state had had accurate and complete data on agricultural land; and
- whether the state had ensured the protection of agricultural land with the implementation of measures in the field of agriculture and spatial planning.

The Court of Audit established that in the year 2010 the auditees had not been effective in the protection of agricultural land. Irrespective of the fact that the notion of agricultural land was defined clearly in the relevant regulations and that in the municipal spatial plans agricultural land was classified into the areas of the best and other agricultural land, neither the Ministry of Agriculture, Forestry and Food nor the Ministry of the Environment and Spatial Planning had data on the best and other agricultural land which the state should have protected for the purposes of self-sufficiency. Such data were accessible only in spatial planning documents in each of the 210 municipalities. The Agricultural Land Act, governing the protection of agricultural land, failed to define the concept of the protection of agricultural land. It merely determined certain measures to help protecting the land. The Spatial Planning Act facilitated the expansion of settlements to agricultural land in spatial planning procedures with certain limitations.

The objectives in the field of the protection of agricultural land and self-efficiency were not determined for the Republic of Slovenia in the year 2010. Moreover, there was no specification of the amount and nature of agricultural land required to achieve the desired degree of self-sufficiency and ensure food security for the population. It was thus more difficult for the Ministry of Agriculture, Forestry and Food to provide the protection of agricultural land considering the development needs of other sectors and the Ministry was not able to monitor and establish the adequacy of agricultural development in this field.

It was the Ministry of Agriculture, Forestry and Food, the Surveying and Mapping Authority of the Republic of Slovenia and the Farmland and Forest Fund of the Republic of Slovenia who kept records of (agricultural) land. The records provided an overview of the amount, actual use and quality of agricultural land, expressed in various forms, for agricultural land actually used as such and not for agricultural land as defined in the Agricultural Land Act. No records enabled monitoring of the reduction of agricultural land due to certain reasons, for example construction, overgrowing and similar. The records of the actual use of agricultural and forest land, kept by the Ministry of Agriculture, Forestry and Food, show that as at 31 December 2010 the Republic of Slovenia had 666,705 hectares of agricultural land.

The change of land use was authorised for all the agricultural land. According to the data of the Ministry of Agriculture, Forestry and Food for the year 2010, the land use was due to the adoption of municipal spatial plans changed for at least 2,321 hectares of agricultural land, of which 970 hectares of the best agricultural land. Due to the adoption of national spatial plans, the land use will be additionally changed for a maximum of 297 hectares of agricultural land.

The regional spatial planning was not implemented either. Spatial planning in the Republic of Slovenia was thus carried out in the average area of 96 square kilometres, which was the average size of a municipality in 2010. There was also (illegal) construction carried out on agricultural land, without changing the land use. The scientific basis for municipal spatial plans which provide the basis for the coordination of interests in spatial planning procedures, was not always established in a way which would have enabled the

Ministry of Agriculture, Forestry and Food a quality overview and assessment of changes in the use of agricultural land, or was incomplete, which prolonged the spatial planning procedures.

There were no records established on agricultural land owned by the state and managed by various operators. The Farmland and Forest Fund of the Republic of Slovenia as the major operator of agricultural land owned by the state kept data on the amount and actual use (for the land it managed) in the register of fixed assets, which, however, was not accurate and complete. According to the data from the records on the actual use of agricultural and forest land, the Farmland and Forest Fund of the Republic of Slovenia managed 9.6 percent of agricultural land in the Republic of Slovenia in 2010. It protected the agricultural land by giving the land for lease for the purpose of agricultural production and by exercising control over the cultivation of the leased agricultural land. In addition, it carried out land transaction and proposed agricultural operations to improve conditions for the cultivation of the land, yet it failed to reach the set objectives. Until 31 December 2010, it had failed to transfer all the agricultural land owned by the state, which it should have managed, into its own management.

Audits from the field of local communities

In 2013, the Court of Audit was carrying out 43 audits in the field of local communities. It issued 14 audit reports and expressed opinions on the operations of 16 auditees. 11 audit reports had the objective of expressing an opinion on the regularity of operations of a municipality (respectively Ministry and public company), in two audit reports the audit objective was to express an opinion on the effectiveness of operations of a municipality while in one audit report the audit objective was to express an opinion on the regularity and efficiency of operations of a municipality. As regards the audits with the objective of expressing an opinion on the regularity of operations, there were 12 adverse opinions expressed as well as two qualified opinions.

In 2013, also five post-audit reports were issued (two referred to audit reports from 2012 and three to audit reports from 2013), which required from the municipalities the submission of a response report.

Audits reports issued in 2013 are the following:

1. Regularity of a part of operations of the Municipality of Apače;
2. Regularity of a part of operations of the Municipality of Benedikt;
3. Regularity of a part of operations of the Municipality of Borovnica;
4. Regularity of a part of operations of the Municipality of Log - Dragomer;
5. Regularity of a part of operations of the Municipality of Naklo;
6. Regularity of a part of operations of the Municipality of Polzela;
7. Regularity of a part of operations of the Municipality of Tabor;
8. Regularity of a part of operations of the Municipality of Veržej;
9. Regularity of a part of operations of the Municipality of Žetale;
10. Regularity of operations of the Municipality of Maribor in the part that relates to a public-private partnership for the project Upgrading and Automation of Road Traffic in the Municipality of Maribor;
11. Regularity of operations in the management and expansion of the Ostri vrh non-hazardous waste landfill;

12. Establishment of the right of superficies in the Municipality of Gorišnica;
13. Capital investment management in the Municipality of Novo mesto;
14. Establishment of companies in the Municipality of Mirna Peč;

There were five post-audit reports issued:

1. Corrective measures of the Municipality of Maribor;
2. Corrective measures of the Municipality of Novo mesto;
3. Corrective measures of the Municipality of Postojna;
4. Corrective measures of the Municipality of Slovenska Bistrica,
5. Corrective measures in the management and expansion of the Ostri vrh non-hazardous waste landfill.

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

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

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

Audit report	Opinion on the regularity of operations	Opinion on the efficiency/effectiveness of operations	Response report
Regularity of a part of operations of the Municipality of Apače	adverse opinion	/	not necessary
Regularity of a part of operations of the Municipality of Benedikt	adverse opinion	/	not necessary
Regularity of a part of operations of the Municipality of Borovnica	adverse opinion	/	not necessary
Regularity of a part of operations of the Municipality of Log - Dragomer	adverse opinion	/	not necessary
Regularity of a part of operations of the Municipality of Naklo	adverse opinion	/	not necessary
Regularity of a part of operations of the Municipality of Polzela	qualified opinion	/	not necessary
Regularity of a part of operations of the Municipality of Tabor	adverse opinion	/	not necessary
Regularity of a part of operations of the Municipality of Veržej	qualified opinion	/	not necessary
Regularity of a part of operations of the Municipality of Žetale	adverse opinion		not necessary
Establishment of the right of superficies in the Municipality of Gorišnica	adverse opinion	opinion in the form of conclusions	necessary

Audit report	Opinion on the regularity of operations	Opinion on the efficiency/effectiveness of operations	Response report
Establishment of companies in the Municipality of Mirna Peč	/	opinion in the form of conclusions	not necessary
Regularity of operations of the Municipality of Maribor in the part that relates to a public-private partnership for the project Upgrading and Automation of Road Traffic in the Municipality of Maribor	adverse opinion	/	necessary
Capital investment management in the Municipality of Novo mesto	/	opinion in the form of conclusions	necessary
Regularity of operations in the management and expansion of the Ostri vrh non-hazardous waste landfill	adverse opinion (3x)	/	necessary

In 2013, the Court of Audit started with the implementation of a cross-sectional audit in the field of the allocation of current transfers, which involves 22 municipalities. The decision to carry out the audit is based on numerous applications received for opinions in the field concerned, on the assessment that there exists a risk that the allocation of transfers is not carried out in accordance with the prescribed procedures and on the standpoint that there should be system solutions examined in the field of current transfers, which represent a substantial part of the expenditure of municipal budgets. The audit objective is thus to propose system solutions based on the irregularities and good practises established through a comparison of municipal operations.

As regards the ineffectiveness identified in the audit **Capital investment management in the Municipality of Novo mesto** it should be emphasised that the Municipality failed to provide essential conditions for the effective management of capital investments since it did not establish a management system as a prerequisite for the effective management of capital investments. As a consequence of not establishing a management system, the Municipality managed the capital investment in the Zarja company ineffectively. The Municipality did not define fundamental management principles, failed to specify objectives it intended to achieve through capital investments and did not adopt a management strategy. It failed to divide rights and responsibilities of municipal authorities in terms of management, did not define the management process nor did it determine powers and responsibilities of public administration in managing capital investments, and did not define powers and responsibilities in representing municipal interests at company meetings. It did not regulate the field of proposing candidates for the members of company authorities, since it failed to determine the conditions for the candidates to become members of individual authorities and did not define procedures for the selection of appropriate candidates. In examining the management of capital investment in the Zarja Company, the Court of Audit established that the Municipality failed to verify whether there was still the municipal interest present for this investment and did not indicate whether the Zarja company complied with the public interest which provided the basis for its selection. It is also not clearly evident whether the Zarja company performs its activities in accordance with development policies of the Municipality. In the last decade, the legislation in

the field under discussion has changed, yet the Municipality did not examine whether the current method - capital investment in a private company with the status of a non-profit housing organisation - was still adequate for the achievement of the objectives set in the field of housing. The Municipality did not obtain from the Zarja company all the data required for the management of capital investment and did thus not exercise adequate control over the operations of the Zarja company. The representation of municipal interest in the company was not appropriate since there came to a discrepancy between the decisions of the Municipal Council and the vote of the Municipality representative at the Zarja company meeting. In the year 2009 and part of the year 2010, the function of direct supervision was performed by the mayor as a member of the Supervisory Board of the Zarja company, who also represented the interests of the owner.

Highlighted in the audit report **Regularity of operations of the Municipality of Maribor in the part that relates to a public-private partnership for the project Upgrading and Automation of Road Traffic in the Municipality of Maribor** should be the following irregularities: the Municipality failed to prepare comprehensive investment documentation, which would have provided an adequate scientific basis for further decisions; it did not include the project in the plan of development programmes; it did not implement the complete preliminary procedure prior to the adoption of the decision on a public-private partnership; it indicated in the public-private partnership contract reasons for the extension of the public-private partnership period, which were not admissible; it demanded in the contract notice the employment of a certain subcontractor; in the second phase of the competitive dialogue, it merely adjusted the investment project identification document to the subsequently offered project elements, even though this should have been done in the planning phase respectively in the phase before making an investment decision; in the second phase of the competitive dialogue, it changed and expanded the subject of the public-private partnership, which was thus significantly different from the one initially planned and tendered; the competitive dialogue procedure was not adequately completed as ineffective due to the non-compliance with the minimal condition by three candidates; in planning the project, it failed to communicate its planned construction to the then Post and Electronic Communications Agency of the Republic of Slovenia, which would have ensured competition in the construction of electronic communications networks and associated infrastructure; it did not submit in due time the public-private partnership contract to the Ministry of Finance; the provision of the public-private partnership contract concerning infrastructure ownership was contrary to policies arising from the investment project identification document; it failed to envisage in the public-private partnership act methods for the financing of the public-private partnership and financial relations between a public and private partner; agreed in the public-private partnership contract was a method for the financing of the project, which was contrary to the Public-Private Partnership Act as regards the recovery of invested funds of the private partner and the achievement of a normal market yield, which should provide the basis for determining the duration of the public-private partnership.

Among the irregularities identified in the audit **Regularity of operations in the management and expansion of the Ostri vrh non-hazardous waste landfill**, the irregularities related to the Municipality of Logatec should be emphasised: as the owner of the Ostri vrh non-hazardous waste landfill it expanded the landfill without obtaining a construction permit and an environmental permit; it concluded with other municipalities respectively providers of a commercial public service of municipal waste collection and transport contracts for the disposal of waste at the non-hazardous waste landfill and thus indirectly caused the disposal of waste at the expanded section of the landfill irrespective of the fact that it did not obtain for this section of the landfill an operating permit in accordance with construction regulations; it did not

implement measures imposed by the then Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning to stop the expansion of the Ostri vrh non-hazardous waste landfill at a particular part of the land and to remove in the period of five months the facility and return the land to its previous state; it failed to establish a budgetary fund for the financial security funds earmarked for the closing of the Ostri vrh non-hazardous waste landfill, as provided for in the Decree on the Budget of the Municipality of Logatec for the Year 2010 and the Decree on the Budget of the Municipality of Logatec for the year 2011; it used the financial security funds earmarked for the closing of the Ostri vrh non-hazardous waste landfill for other purposes in the framework of the municipal annual budget, which is contrary to the Public Finance Act.

Audits of non-commercial public services and associations

Audit department B3 that implements audits of public institutes, the Health Insurance Institute of Slovenia, the Pension and Disability Insurance Institute of Slovenia and associations issued seven reports in 2013 and expressed 13 opinions to seven auditees. Audit objective in five audits was to express an opinion on financial statements and the regularity of operations. One audit had the objective to express an opinion on the regularity and efficiency of operations while on one occasion, the objective was to express an opinion on the efficiency of operations. The Court of Audit expressed five opinions on financial statements, of which two unqualified and three qualified. There were six opinions expressed on the regularity of operations, of which one unqualified, three qualified and two adverse.

The following audit reports were issued in 2013:

1. Financial statements and the regularity of operations of the Agricultural Institute of Slovenia in the year 2010;
2. Financial statements and the regularity of operations of the Institute for the Protection of Cultural Heritage of Slovenia in the year 2010;
3. Financial statements and the regularity of operations of the Health Insurance Institute of Slovenia in the year 2011;
4. Financial statements and the regularity of operations of the Pension and Disability Insurance Institute of Slovenia in the year 2011;
5. Financial statements and the regularity of operations of the Lekarna Ljubljana Public Institute in the year 2011;
6. Performance of duties by the Triglav National Park Public Institute in the year 2011;
7. Management of homes administered by the Curricular and Extracurricular Activities Centre in the period from 2009 to 2011.

There were four post-audit reports issued in 2013. Two post-audit reports referred to audit reports issued in 2013:

1. Financial statements and the regularity of operations of the Institute for the Protection of Cultural Heritage of Slovenia in the year 2010;
2. Financial statements and the regularity of operations of the Lekarna Ljubljana Public Institute in the year 2011.

Two post-audit reports referred to audit reports issued in 2012:

1. The regularity of a part of operations of Radio Television Slovenia in the years 2009 and 2010;
2. Financial statements and the regularity of operations of the National Education Institute of the Republic of Slovenia in the year 2011.

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 a **Financial and Regularity Audit of Operations of the Lekarna Ljubljana Public Institute** so as to express an opinion on financial statements and the regularity of operations of the Institute in the year 2011. As regards financial statements, the Court of Audit expressed a qualified opinion since it established that in certain instances the Institute had failed to account for depreciation in accordance with the relevant regulations. As at 31 December 2011, it thus disclosed the value of tangible fixed assets, which was too low, i.e. for the amount of EUR 734,145, understated the excess of revenues over expenses from the previous years for the amount of EUR 667,017 and understated the excess of revenues over expenses for the amount of EUR 67,128 for the year 2011. As at 31 December 2011, the value of fixed assets in the general ledger exceeded the value of fixed assets disclosed in the register of fixed assets for the amount of EUR 5,973, and long-term investments and commitments for long-term investments were overstated for the amount of EUR 7,450, since the Institute failed to determine regularly the amount of the revaluation of financial investments. Some revenues and expenses for the year 2011 were not regularly divided between public service and commercial activities.

As regards the regularity of operations, the Court of Audit expressed an adverse opinion since it established that some civil servants had been irregularly determined their basic salaries and performance bonuses for the increased work load. Moreover, civil servants were promoted before meeting all the required conditions and in purchasing the material, services and fixed assets in the amount of at least EUR 101,471,575, the Institute failed to act in accordance with public procurement regulations. During the audit procedure, the Institute failed to eliminate all the established irregularities and was therefore demanded to submit a response report, in which it had to demonstrate corrections to irregular depreciation as well as measures for the elimination of irregularities in payroll accounting.

The Court of Audit carried out a **Financial and Regularity Audit of Operations of the Institute for the Protection of Cultural Heritage of Slovenia** for the year in the year 2010. As regards financial statements for the year 2010, the Court of Audit expressed a qualified opinion since it established that as at 31 December 2010, the data in the general ledger and the data in the register of fixed assets differed for the amount of EUR 29,111; under the accrued expenses and deferred revenues, the Institute disclosed deferred revenues in the amount of EUR 34,527, even though they were received to cover the expenses already incurred; due to the irregularly disclosed revenues, it overstated the excess of expenses over revenues in the year concerned. The Institute disclosed long-term deferred revenues in the amount of EUR 214,272 under the accrued expenses and deferred revenues rather than under the long-term accruals and failed to establish an off-balance sheet of received and given bank guarantees.

As regards the regularity of operations in the year 2010, the Court of Audit expressed an adverse opinion since it established that the Institute had failed to determine the actually existing and occupied workplaces in the applicable Rules on Internal Organisation and the Job Classification Act. Civil servants were placed

to workplaces contrary to the abovementioned Rules and to workplaces they were not qualified for; in some instances, they were irregularly determined their basic salaries, grade-related allowances and bonuses for bilingualism. By purchasing material, services and fixed assets in the amount of EUR 1,673,466, it acted contrary to public procurement regulations. Moreover, it acted contrary to a decision of the Ministry of Culture (based on the Act Amending the Government of the Republic of Slovenia Act, it has been part of the Ministry of Education, Science, Culture and Sport since February 2012), because it considered in its request for disbursement of funds the amount for the purchase of fixed assets not yet carried out. The Institute failed to obtain for a partial use of the excess of revenues over expenses a consent by the founder, as provided for in the Decision on the Establishment of the Institute; it did not use a part of the excess of revenues over expenses from the previous years, i.e. the amount of EUR 15,417, in accordance with the Government Decision. During the implementation of the audit, the Institute failed to eliminate all the established irregularities and was therefore demanded to submit a response report, in which it had to demonstrate measures for the elimination of irregularities in the allocation of staff and payroll accounting.

In its **Financial and Regularity Audit of the Operations of the Pension and Disability Insurance Institute of Slovenia**, the Court of Audit, as regards financial statements for the year 2011, expressed an unqualified opinion since it established that the audited financial statements in all material aspects showed the true picture of the assets and liabilities as at 31 December 2011 as well as revenues and expenses respectively receipts and expenditures of the Institute for the year then ended in accordance with the Public Finance Act and the Accounting Act. As regards the regularity of operations in the year 2011, the Court of Audit expressed a qualified opinion since it established that the Institute had failed to provide in the register of the beneficiaries of rights all the data provided for in the Act Governing the Register of Insured Persons and Beneficiaries of Rights Provided under Pension and Disability Insurance; in purchasing material, services and fixed assets and in the implementation of individual procedures for the selection of suppliers and contractors, it acted contrary to public procurement regulations. In the light of the fact that during the audit procedure the Institute eliminated the established irregularities respectively adopted appropriate corrective measures, the Court of Audit did not demand the submission of its response report.

Audits of commercial public service providers, privatisation and environmental protection

Audit department B4 covers audits of commercial public service providers, companies owned by the Republic of Slovenia, privatisation as well as environmental protection.

In 2013, the department was carrying out 16 audits. By the end of 2013, it issued six audit reports while 10 audits should be completed in 2014. In the six issued reports, a regularity or performance audit opinion was expressed to 30 auditees. Namely, opinion on the regularity of operations to one auditee (in one audit) and performance audit opinion to 30 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 audits, there were post-audit procedures implemented. In 2013, the department issued four post-audit reports, i.e. two of them refer to audit reports issued in 2012 and two of

them relate to audit reports issued in 2013.

List of audit reports issued by the department B4:

1. Efficiency of operations of the Ministry of the Environment and Spatial Planning in the implementation of the Water Act and of the regulations issued on the basis thereof in the period from 2009 to the end of 2010;
2. Regularity as well as efficiency and effectiveness of the Ministry of the Environment and Spatial Planning in establishing conditions for the performance of chimney sweeping services and exercising control over the implementation thereof in the years 2009, 2010 and 2011;
3. Effectiveness of operations of the Eco Fund, Slovenian Environmental Public Fund, the Ministry of Finance, the Ministry of the Economy, the Ministry of Public Administration, the Ministry of Agriculture, Forestry and Food, the Ministry of the Environment and Spatial Planning, the Ministry of Transport and the Ministry of Higher Education, Science and Technology in the implementation of measures for the efficient use of energy in the period from 2008 to the end of 2011;
4. Efficiency of operations of the Ministry of Agriculture and the Environment, the Customs Administration of the Republic of Slovenia and the Police in the provision of transboundary shipment of waste in the period from 2009 to 2011;
5. Efficiency and effectiveness of Slovenska odškodninska družba, d. d., Ljubljana (Slovenian Compensation Company) in transferring funds to be managed by external managers and repurchasing securities in the period from 1 January 2007 to 31 August 2012;
6. Efficiency of operations of GEN energija, d. o. o., Krško in the sale of electricity in the period from 2009 to 2011.

Post-audit reports issued in 2013 by the department B4 are the following:

1. Corrective measures of the Municipality of Kranj and the company Domplan, d. d., Kranj;
2. Corrective measures under the audit Performance of a commercial public service of transmission system operator;
3. Corrective measures of the Ministry of Agriculture and the Environment in the performance of chimney sweeping services;
4. Corrective measures in the implementation of the Water Act.

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

International operations of the audit department B4

In 2013, the Court of Audit of the Republic of Slovenia participated in the implementation of the international audit of the movement of waste between the states, headed by the SAI of the Netherlands, with the cooperation of the SAIs of Bulgaria, Greece, Hungary, Ireland, Norway, Poland and Slovenia. The audit was completed with the issue of a joint report in October 2013. The Supreme Audit Institution of the Netherlands informed the participating SAIs that the European Parliament in the preparation of proposed amendments and supplements of the Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste had complied with findings and recommendations of a joint report. The joint report was also published on the website of the European Union Network for the Implementation and Enforcement of Environmental Law (IMPEL).

Highlighted in the audit Transboundary movement of waste were the corrective measures of the Ministry of Agriculture and the Environment that had to relate to:

- the preparation of a plan of activities to define data on the transboundary movement of waste, set objectives for the analysis of the transboundary movement of waste as well as prepare the analysis of the transboundary movement of waste;
- the preparation of a plan of activities to draw up operational waste management programmes, which would define for the waste generated in the Republic of Slovenia and for the waste imported to the Republic of Slovenia due to the disposal respectively recovery methods of disposal respectively recovery considering the estimated quantities of waste, import and capacity for the disposal and recovery in the Republic of Slovenia, other states of the European Union respectively other states that are parties to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal;
- the preparation of a plan of activities to propose and submit to the Government amendments and supplements of the Decree on the implementation of the Regulation (EC) No 1013/2006 on shipments of waste, relating to the establishment of all the necessary procedures to enable at the time of issuing consents to import and export waste shipments to and from the Republic of Slovenia the examination of compliance with the principles of proximity, priority for recovery prior to disposal, self-sufficiency of waste disposal as well as the determination of the existence of conditions for objecting waste shipments;
- the preparation of a plan of activities to prepare and adopt a regulation which would define in more detail the content and manner of keeping the database on environmental protection;
- the preparation of a plan of activities to propose criteria for the imposition of fines for offences related to the violation of the Environmental Protection Act and regulations adopted pursuant thereto, if fines were set in the ranges;
- the preparation of a plan of activities to define rules for the determination of penalties for transboundary shipment of waste in accordance with Article 50 of the Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste as well as to supplement the Decree on the implementation of the Regulation (EC) No 1013/2006 on shipments of waste and submit it to the Government;
- the preparation of a plan of activities to review all the procedures to be performed by the Slovenian Environment Agency and the Inspectorate of the Republic of Slovenia for Agriculture and the Environment for the full implementation of the Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste and the Decree on the implementation of the Regulation (EC) No 1013/2006 on shipments of waste.

The Court of Audit did not issue its post-audit report in 2013 since the Ministry submitted its response report at the end of December 2013.

The Ministry of Agriculture and the Environment, the Inspectorate of the Republic of Slovenia for Agriculture and the Environment, the Slovenian Environment Agency, the Customs Administration of the Republic of Slovenia and the Police were provided more than 20 recommendations to improve their control over the transboundary shipment of waste. The most important recommendations pertain to:

- the preparation of an analysis of the production and management of waste by considering transboundary streams of waste and examining trends and methods of managing specific types of waste;

- the establishment of a permanent exchange, comparison and harmonisation of data on the import and export of waste, based on the reports of persons liable, aimed at the reporting on waste, as well as data by the Customs Administration of the Republic of Slovenia on waste streams between the Member States of the European Union and non-European Union states and on waste streams between the Member States of the European Union;
- based on the proposal of the Interdepartmental Working Group for the Control over the Transboundary Shipment of Waste, the examination of adequacy of determined powers of individual institutions and the inclusion of potential changes in the proposal of amendments and supplements of the Decree on the implementation of the Regulation (EC) No 1013/2006 on shipments of waste;
- the examination of the system of penalties and the amount of penalties provided for in other Member States of the European Union so as to determine proportionate, dissuasive and effective penalties also in comparison with other Member States of the European Union;
- the specification of all minor offence authorities identifying wrongful acts related to environmental protection as well as the establishment of a complete and updated database to examine conditions for objecting planned waste shipments;
- the assessment of costs for the monitoring of data on the transit of waste as well as the examination of possibilities for establishing records of transit of waste on the basis of issued approvals;
- the preparation of a public price list to determine and specify all the costs that impact the determination of the amount of the required financial security so as to make the applicants be informed in advance of individual costs and the expected amount of the required financial security.

Performance audits

Audit department B5 implements performance audits, information system audits and results-based budgeting audits. In the year 2013, the department was carrying out 19 audits. In six audit reports, the Court of Audit expressed performance audit opinions to eight auditees.

Audit reports issued by department B5 in 2013 are:

1. Effectiveness of the Ministry of the Interior in managing the subprogramme 130204 Management of Home Affairs (08011701 Management of Home Affairs);
2. Efficiency of Food Safety Control;
3. Efficiency and effectiveness of the system for considering the rights to public funds;
4. Learning material for primary and secondary schools;
5. Effectiveness of the Ministry of Education, Science and Sport and the Ministry of Economic Development and Technology in managing the subprogramme 020301 Support to Technological Development Projects (05043201 Programmes for the Promotion of the Economy Technological Development);
6. Effectiveness of the implementation of the eZdravje project.

The submission of a response report was demanded in three out of six audit reports issued in 2013. In 2013, the department B5 received two response reports and prepared two post-audit reports, of which both refer to the audit reports issued in 2013. Three implemented corrective measures out of seven were assessed as adequate while four corrective measures of two auditees were assessed as partially adequate. In both instances, the Court of Audit issued a decision on violation of the requirement for operational

efficiency.

Post-audit reports issued by the department B5 in 2013 are:

1. Corrective measures of the Ministry of Labour, Family, Social Affairs and Equal Opportunities;
2. Corrective measures related to the efficiency of food safety control.

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

Most of the 19 audits carried out by audit department B5 in 2013 were highly diverse as regards their content, scope and audit approaches, since the scope of the department for performance audits is not limited to the nature of work of auditees. The audit department B5 also carries out information system audits and results-based budgeting audits, which at least methodologically are somewhat different from other audits implemented by the Court of Audit. All audits stand out owing to their materiality, influence of audit scope, public visibility, attention among expert public and changes made to individual audited systems. Highlighted in the continuation are some findings from the issued audit reports.

Food Safety Control

Food and feed safety control is a topic that is thoroughly and comprehensively regulated in the European Union, yet due to the nature of the conflict of public interest with the interests of producers and sellers it is necessarily the subject of continuous updating and development. In its audit, the Court of Audit described and analysed in detail the field of control and provided a series of concrete recommendations to improve the efficiency of official control in this significant field.

Results-Based Budgeting

In the year 2013, the Court of Audit issued two reports on the effectiveness of three ministries in the implementation of results-based budgeting in the framework of the state budgets for the years 2010 and 2011. The reports mark the completion of the series of three reports with such topic (a summary report was prepared as well) and build upon the efforts of the Court of Audit to improve the programme planning procedures, which include, inter alia, the Guideline for Auditors: Results-Based Budgeting and related reports on the functioning of three inspectorates. In 2013, the Court of Audit examined this procedure for the first time also at the local community - the Municipality of Kranj.

Information system audits

In the year 2013, the department was carrying out several independent audits of information systems relevant for the state and the society (information systems of the Customs Administration and the Tax Administration) respectively projects (eZdravje). The information system auditors were involved also in certain parts of the audits of other departments of the Court of Audit. The audit report on the implementation of the eZdravje project, issued in 2013, is a detailed and comprehensive description of the implementation of this project, which is important and necessary for the state and its citizens, however, the implementation has shown significant delays as well as deviations from the initial plans. Due to the established ineffectiveness in the implementation of the project, the Court of Audit demanded from the Ministry of Health the submission of a response report and provided several recommendations.

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

In the second half of the year 2013, upon effective completion of three audits from the international field and two mandatory audits of the First Pension Fund, the department B6, active in the fields of the European Union funds, international organisations, public agencies and public funds, devoted more attention to the system and functioning of public agencies and funds in the Republic of Slovenia. In examining the use of EU funds, the Court of Audit namely identified numerous deficiencies in the regulation, organisation and functioning of various recipients of EU funds, which showed inefficiencies in the use of EU funds as well as potential irregularities and inefficiencies in the use of state budget funds and certain systemic risks. The risk assessment proved to be justified, whereby more detailed assessment will be made and presented within several projects in 2014.

In 2013, the department B6 issued four audit reports:

1. Efficiency of promoting foreign direct investment;
2. Simplifications of the European Cohesion Policy implementation system (part of the joint parallel audit by the Working Group on Structural Funds V under the SAI Contact Committee, 12 states);
3. Operations of the First Pension Fund for the year 2010;
4. Operations of the First Pension Fund for the year 2011.

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

Efficiency of Promoting Foreign Direct Investment

The objective of the audit in the field of foreign direct investment was to assess the efficiency of promoting inbound foreign direct investment in the Republic of Slovenia in the period from 2010 to the end of 2012. It was examined whether the Republic of Slovenia had clearly determined objectives in the field of foreign direct investments, whether there had been an adequate structure established for the promotion of foreign direct investments and whether there had been efficient measures implemented for the promotion thereof. In promoting foreign direct investment, the Ministry of Economic Development and Technology failed to focus on the coordination of the implementation and consequently on the implementation of measures with the greatest impact on the attractiveness of Slovenia for foreign direct investments. The Ministry notably supervised and partly also implemented measures for the promotion of foreign direct investment, as provided for by law. By granting financial incentives to foreign investors, the Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments failed to give priority to the provision of direct capital inflow, knowledge or technology but rather focused on the provision of new jobs. The Court of Audit assesses that it is the contribution in the form of direct capital inflow and notably knowledge or technology that justifies the granting of financial incentives to investors while jobs can be provided through measures open both to domestic and foreign companies.

It was established that the granting of financial incentives for foreign direct investments had not been conditioned upon the demonstration of contents, which would have significantly differentiated these projects from the projects of „Slovene“ companies and thus justified the granting of incentives to foreign

investors. In assessing applications and monitoring the implementation of projects, the Ministry and the Agency namely did not focus on the contribution of foreign investors in the form of direct capital inflow, knowledge and technology. One of the conditions was that a foreign investor had only a 10-percent direct share in the company granted the incentive. The recipients of funds were not required to demonstrate a direct capital inflow from abroad. Moreover, there was no presence of a foreign investor required for the project. General indications of the investor on the planned transfer of knowledge and technologies and synergistic effects were sufficient.

The Court of Audit established that the promotion of inbound foreign investment in the period covered by the audit had involved mainly the implementation of statutory measures. Other measures, which according to foreign investors have greater impact on the attractiveness of the state for foreign direct investors, i.e. notably measures applied by the state to improve business environment, were not included in the policy for the promotion of foreign direct investment. The Court of Audit expressed an opinion that the Ministry for the most part of the period covered by the audit had failed to promote foreign direct investment efficiently and that the Agency could have been more efficient in the implementation of measures for the promotion of foreign direct investment, as provided for by law.

Simplifications of the European Cohesion Policy Implementation System

The Court of Audit of the Republic of Slovenia carried out an audit of measures for the simplification of the European Cohesion Policy implementation system. The audit was part of the joint international audit carried out by the Supreme Audit Institutions in twelve Member States of the European Union. It covered the period from 1 January 2007 to 30 June 2012 and involved nine auditees - eight ministries and one body affiliated to the Ministry, which have been involved in the system of managing and supervising the implementation of the European Cohesion Policy in the Republic of Slovenia.

The European Cohesion Policy has been based on the shared management between the European Commission and the Member States. The Member States have had a key responsibility for the programming and implementation of projects, while a great part of the legal basis has derived from European regulations. In several instances these regulations proved complex, potentially causing additional administrative burden in individual Member States, which is why the European Parliament, the European Court of Auditors and the Member States called for their simplification. The European regulations were amended on several occasions in order to reduce the administrative burden and facilitate the use of funds from the Structural Funds and the Cohesion Fund.

The amendment of European regulations thus enabled the application of numerous simplifications, whereby nine measures were selected for the review under the international audit. Of these, three were related to the simplified methods of reporting on the eligible costs, two measures pertained to the simpler procedures in the preparation and implementation of major projects and two measures referred to changes and clarifications in the financial engineering instruments. Another measure enabled the payment of advances to the beneficiaries receiving state aid and one measure brought the change in the consideration of the projects generating revenue. The Court of Audit examined whether and how such simplifications had been applied in the Republic of Slovenia.

It established the introduction of seven simplification measures yet only four of them were actually applied. In the Republic of Slovenia, some measures were introduced relatively soon after having been provided for in the European regulations, whereby the Republic of Slovenia was among the first of the

Member States participating in the joint audit to introduce them. This notably applies to two out of three available simplified methods of reporting on the eligible costs. The methodology for reporting on indirect costs on a flat rate basis for the European Regional Development Fund was prepared by the managing authority and subsequently approved by the European Commission in January 2011. Nevertheless, by the end of 2011, the simplification was applied only to a small percentage of all projects. Irrespective of this, the experience was positive, since the implementation of the measure caused the reduction in the scope of documentation to be prepared and examined and shortened the time before the disbursement of funds to a beneficiary. It can be expected that after the period covered by the audit the measure will thus be applied to a greater extent.

The Court of Audit notes that the simplifications should be applied with caution, as some of them are not appropriate for all types of projects. The simplified methods of reporting on the eligible costs, for example, are not appropriate for the co-financing of the operations of those indirect budget users co-financed from the state budget on the basis of actual costs. In some instances, the European regulations also allowed for the retroactive application of the provisions, but this may cause problems in the transformation of the financial data of the project.

SOURCES USED FOR ACHIEVING THE OBJECTIVES

Financial resources

In the adopted budget of the Republic of Slovenia for 2013 (Official Gazette of the RS, No 104/12), there were funds allocated for the operations of the Court of Audit in the amount of EUR 5,436,253. These funds also included the planned earmarked funds in the amount of EUR 702.

Due to the continued uncertain economic and poor fiscal situation, there was a correction of the adopted financial plan confirmed (Act Amending the Act on the implementation of the budgets of the Republic of Slovenia for 2012 and 2013 and the Revised budget of the Republic of Slovenia for 2013 - Official Gazette of the RS, No 61/13). The adopted financial plan did not provide for any changes for the Court of Audit, as it was considered that the additionally required funds for the payment of the difference for the annual leave allowance for the year 2012 plus interest in accordance with the judgment X Pd 904/2012 of the Ljubljana Labour and Social Court would be provided within the adopted plan.

As it was established that the funds allocated for smaller purchases with the revised budget would not be used in their entirety, they were reallocated. The valid financial plan thus amounted to EUR 5,433,772 (the amount of EUR 721 was represented by earmarked funds).

The Court of Audit used the amount of EUR 5,202,039. The implementation of the financial plan compared to the valid financial plan represented 96 percent.

On the basis of the comparison of expenditure with the valid financial plan it can be concluded that in 2013 there were no major discrepancies between the planned and used funds. Compared to the previous year, the Court of Audit used the amount of EUR 396,501 less, which is a decrease by seven percent.

Table 4: Realisation of expenditure in 2013 compared to the adopted financial plan - revised budget (column 2) and the valid financial plan (column 3)

Title	Financial plan in Euro	Valid financial plan in Euro	Expenditure 2013 in Euro	Use index	Use index
1	2	3	4	5=(4:3)*100	6=(4:2)*100
Salaries, bonuses and other benefits	4,263,074	4,263,074	4,143,216	97	97
Contributions by the employer	665,926	665,926	641,880	96	96

Title	Financial plan in Euro	Valid financial plan in Euro	Expenditure 2013 in Euro	Use index 5=(4:3)*100	Use index 6=(4:2)*100
1	2	3	4		
Material costs	434,651	434,651	356,845	82	82
Investments and major maintenance	72,602	71,121	69,098	97	95
TOTAL	5,436,253	5,433,772	5,202,039	96	96

Balance sheet

Fixed assets

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

The year 2013 saw the acquisition of equipment in the amount of EUR 42,952, of which the amount of EUR 416 was represented by small inventory.

Several new software versions were purchased, in the total amount of EUR 10,138. The Court of Audit purchased a certain number of new notebooks as well as the equipment for uninterrupted power supply so as to ensure smooth and stable operation of the entire computer equipment. The value of the purchased hardware amounted to EUR 26,720.

The remaining amount (EUR 5,678) includes the purchase of mobile phones, a projector and replacement furniture. Small inventory in the amount of EUR 416 includes the received protocol gifts of lower value.

Due to certain equipment being technically and technologically out-of-date and damaged, there came to a removal of intangible and tangible fixed assets in 2013. The removed assets, with the exception of the company car, were practically of no value.

The value of intangible and tangible fixed assets as at 31 December 2013 amounted to EUR 3,153,103, which is EUR 192,137 less compared to the previous year.

Current assets

As at 31 December 2013, there were short-term receivables and deferred expenses and accrued revenues in the amount of EUR 448,255 disclosed in the balance sheet of the Court of Audit.

The receivables refer to:

- receivables for the accounted and not paid salaries and taxes for December 2013 in the amount of EUR 384,793 (of which the amount of EUR 334,038 for salaries and other benefits, the amount of EUR 50,207 for taxes and the amount of EUR 548 for contributions for the employment of the disabled);

- provided services and supplied material in the amount of EUR 40,383;
- supplied equipment of lower value in the amount of EUR 6,497;
- accounted salary compensations in the amount of EUR 14,700;
- receivable linked to the pecuniary claim after the judgment in the amount of EUR 1,000;
- non-reimbursement of fieldwork costs in December in the amount of EUR 882.

All listed receivables disclosed in the balance sheet as at 31 December 2013 are payable in 2014.

Short-term financial liabilities

As at 31 December 2013, there were short-term financial liabilities and accrued expenses and deferred revenues in the amount of EUR 481,119 disclosed in the balance sheet of the Court of Audit.

The financial liabilities refer to:

- short-term liabilities to employees in the amount of EUR 334,920, arising from the calculation of salaries for December 2013 and recovery of business travel costs and fieldwork costs in 2013;
- short-term liabilities to suppliers in the amount of EUR 46,068 for the material and equipment supplied as well as services provided in November and December 2013;
- other short-term liabilities from operations in the amount of EUR 50,755 for the calculated tax and the contribution for the employment of the disabled for salaries for December 2013;
- short-term liabilities to users of the unified chart of accounts in the amount of EUR 812 for the performed services partially for November and for December 2013;
- liability from the pecuniary claim in the amount of EUR 1,000;
- liabilities to providers of funds in the amount of EUR 32,864, which include a part of long-term liabilities from financial lease, payable in 2014 (third - last instalment);
- accounted salary compensations with the November and December 2013 salaries in the amount of EUR 14,700.

All listed liabilities disclosed in the balance sheet as at 31 December 2013 are payable in 2014.

Own funds and long-term liabilities

As at 31 December 2013, under own funds and long-term liabilities in its books of account, the Court of Audit discloses the general fund and other long-term liabilities in the amount of EUR 3,120,239.

Disclosed in the framework of the general fund is the fund for intangible and tangible fixed assets in the amount of EUR 3,153,103, reduced by the fund for other liabilities - financial lease in the amount of EUR 32,864.

In accordance with the applicable regulations, other long-term liabilities from operations, payable in 2014, shall be included among short-term liabilities. The payment of the third and last instalment for the software under the contract MS EA 2012-2014 in the amount of EUR 32,864, payable in 2014, is thus included among short-term liabilities.

Employment

There were 121 civil servants and officials employed at the Court of Audit on 31 December 2013.

One civil servant was recruited for an indefinite period of time and one Supreme State Auditor started her term of office. Six employment contracts were terminated and all three Members of the Senate completed their terms of office. The First Deputy President was elected President of the Court of Audit, the Second Deputy President was appointed Supreme State Auditor while two Supreme State Auditors were elected Deputy Presidents of the Court of Audit.

In 2013, the Court of Audit thus recorded a turnover of 5.8 percent.

Figure 6: Turnover of employees in the period 2004-2013

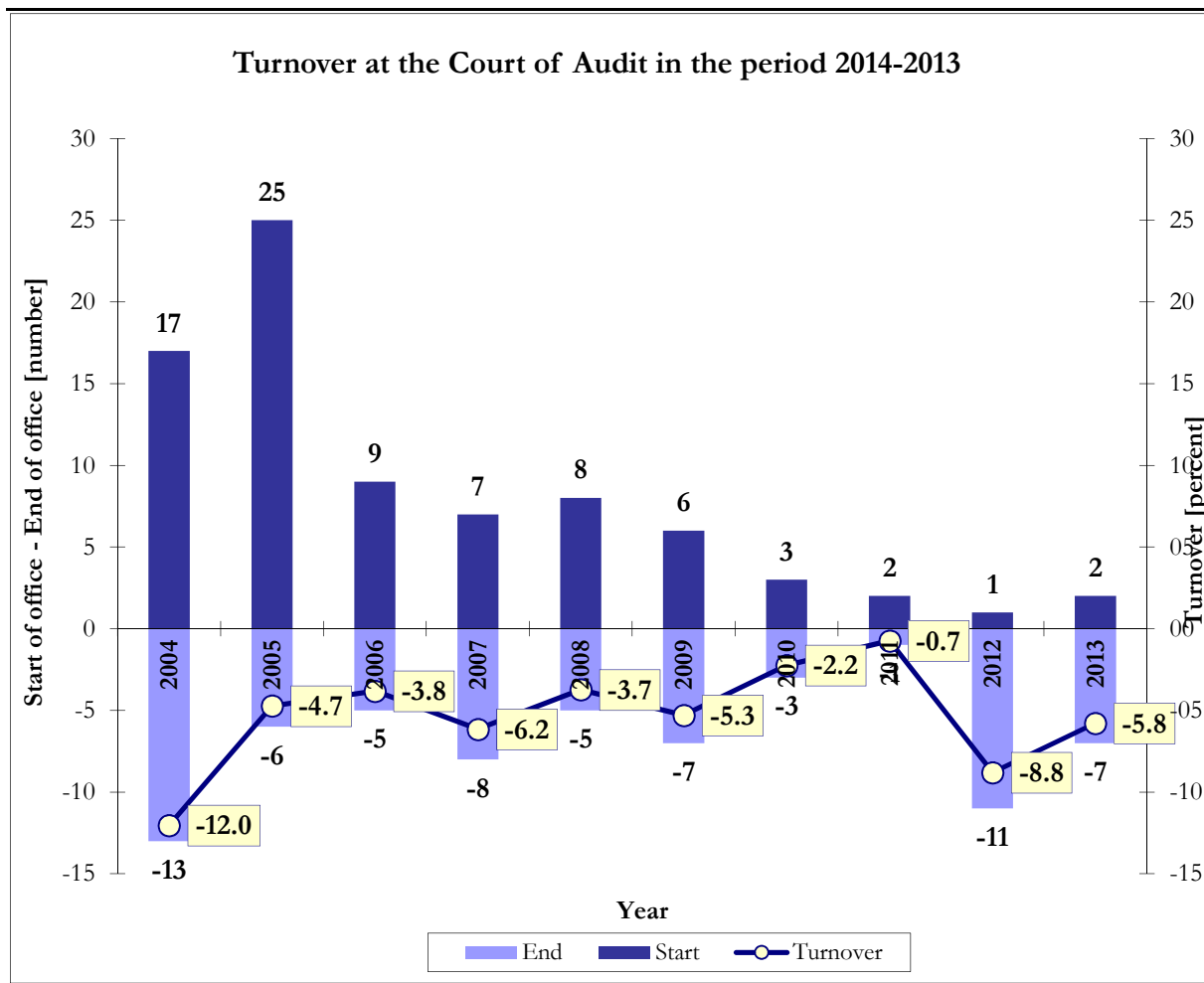


Table 5: Number of employees by posts

Work sector	No. of employees 31 December 2012	No. of employees 31 December 2013
Management:		
• members	3	3
• supreme state auditors	5	6
• secretary general of the Court of Audit	1	1
Total management	9	10
Auditing:		
• advisers	11	11
• deputy supreme state auditors	6	7
• principal auditors	35	32
• senior auditors	26	26
• auditors	10	9
• trainees	0	0
Total auditing	88	85
Support services:		
• head of the cabinet	1	1
• secretaries	10	7
• civil servants in support services	17	18
Total	28	26
Total	125	121

Table 6: Staff educational structure

Level of education or professional title	No. of employees 31 December 2012	No. of employees 31 December 2013
PhD	3	2
Master's degree, specialisation	30	31
University or high education	82	81
Post-secondary education	3	4
Secondary education	7	3
Total	125	121



Watching over public money

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