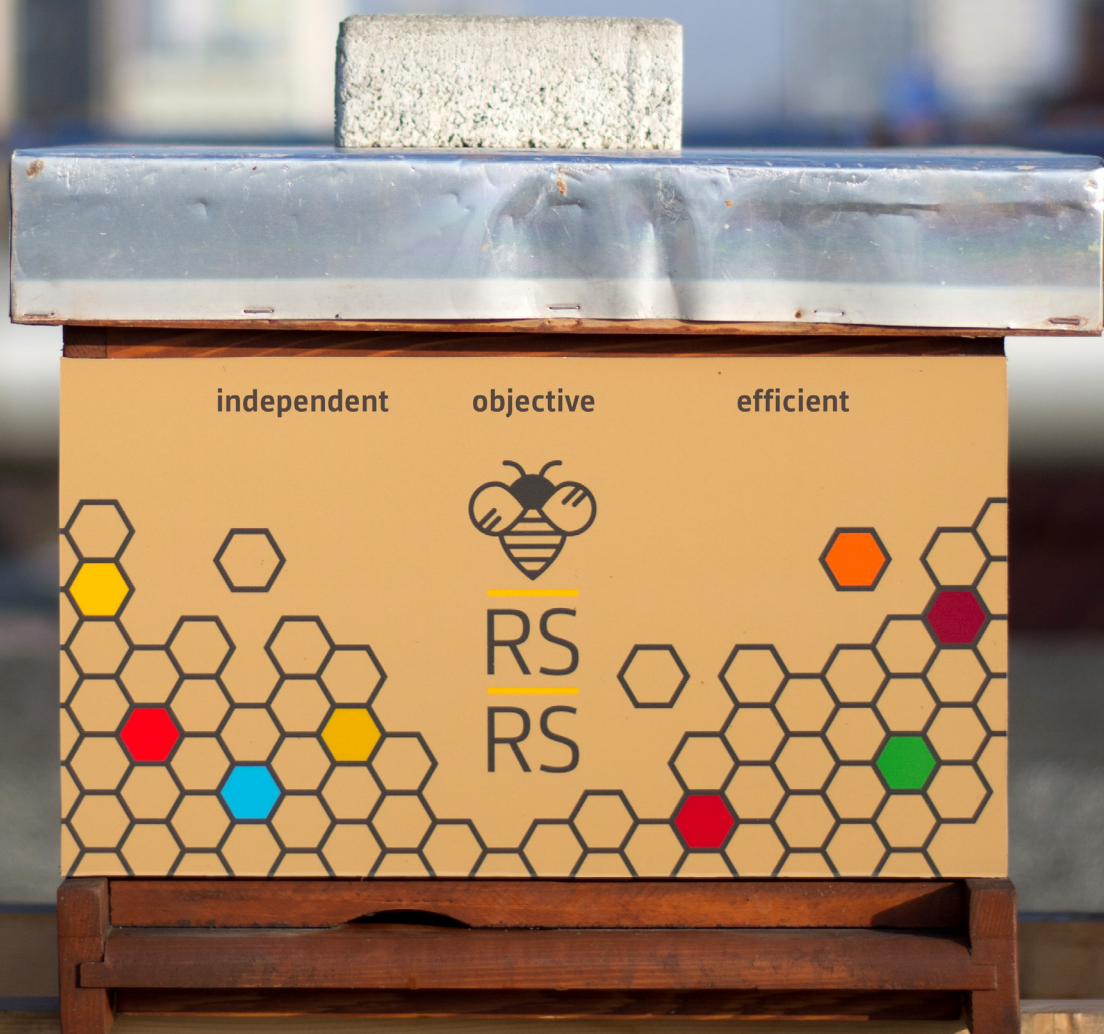




REPUBLIC OF SLOVENIA
COURT OF AUDIT

ANNUAL REPORT 2017



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.



REPUBLIC OF SLOVENIA
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ANNUAL REPORT 2017

Number: 002-3/2018/9

Ljubljana, April 2018

Cover photo:
One of the beehives on the Court's roof top

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1. INTRODUCTION

1.1 Opening address by the President

The year 2017 saw the adoption of Slovenian Development Strategy, a national document which follows the objectives of sustainable development and is thus extremely welcome as regards the work of the Court of Audit of the Republic of Slovenia. There exists an ever-increasing awareness that the use of public funds in future will significantly depend on the recognition and pursuing of those objectives. It is our ambition to clearly and efficiently fulfil the recognised objectives at national and local level. As a supreme audit institution we believe it is our responsibility to call upon preventive actions and diligent planning through our audit reports, advisory function and other means of communication. In this regard, timely response to national and global challenges is of key importance.

In 2017, the Court of Audit paid considerable attention to the audits following guidelines of sustainable development. In 64 issued audit reports which considered the operations of 134 auditees and 528 implemented corrective measures including 372 of those carried out already during the audit implementation, we follow the principles of sustainable development with determination and highlight irregularities or inefficiencies from different aspects – from demands imposed by the changing environment, the necessity of ensuring efficient healthcare services, systemic approach to financial regulation of local self-government, national institutions and commercial and non-commercial public service providers to responsible spatial planning, balanced system of youth policy and effective management of European funds absorption. Those are only some challenges identified as crucial for ensuring national progress, which is confirmed by growing interest of the public. When planning the work of the Court of Audit, it is necessary to consider many initiatives for the implementation of



audits of the aforementioned fields, while the implementation itself evokes strong media response to the examined issues.

In 2017, the Court of Audit received 407 initiatives for the implementation of audits. For several years, the number of initiatives proposed by individuals and groups of individuals has been standing out. We are pleased that the anonymity trend is in decline, showing that public confidence in the institution has become greater. Less initiatives were received by different legal entities (companies, institutions, public companies, institutes, societies and associations), even greater decrease, namely 23 initiatives less than in the previous year, was recorded in the number of initiatives made by the ministries and subordinate bodies. Somewhat more initiatives were made by the National Assembly (16) and by local community bodies. We are pleased that in 2017 the National Assembly and the National Council considered 17 audit reports of the Court of Audit at its committees, commissions and plenary sessions, which is 5 audit reports more than in 2016. We hope for the number of the audit reports considered to increase also in future since we establish that the auditees often see the period for the preparation for the parliamentary sessions (or directly after them) as a motivation for carrying out activities to improve regularity and/or performance of their operations.

On the other hand, we strongly emphasise the importance of media response to our work, as this is the way to bring the issues and fields covered closer to the widest public and at the same time to strengthen awareness thereof. One of such fields is digitalisation, which became the focus of our last year's audit mission. Among others, we also made vital steps pertaining to our own activities through more use-related instruments. Modern, fast, simplified and visual communication with the public was extremely well accepted among journalist, editors and interested public. In the previous year, there were thus 3,827 media publications. Our messages including not only summaries of audit reports but also infographics of our findings make our complex reports, which are overflowed with data, more public-friendly. They are made available also on social media since last year.

This year, we plan to present our findings from some audit reports in the most clear and understandable manner also through a video news release in order to make our messages ever more accessible to wider public.

Thanks to new communication mechanisms, together with sustainably-oriented issues mutually interlinked in terms of content, we are becoming more attractive also in the international sphere. Last year, the Court of Audit proved to be most diligent audit institution and made several active appearances on the relevant international stage. Namely, at the EUROSAI congress we stood out among 50 participating supreme audit institutions as we held lectures and presented cases of good practice in the field of global challenges, sustainable development, IT audit and communications; we hosted an expert meeting as part of Working Group on Environmental Auditing (EUROSAI WGEA) in Ljubljana; on our initiative and conducted by our organisation a new format of meetings of the heads of Supreme Audit Institutions of the Member States of the European Union took place. Highly active and recognised role of the

Court of Audit triggered several successful bilateral meetings which also substantially contribute to strengthening of international relations in the field of auditing.

In addition to gaining international experiences, the employees of the Court of Audit extend and develop their knowledge and skills through other additional professional training mostly based on experiences gained during the audit implementation. Among 128 employees there was considerable number of younger colleagues at the end of 2017, therefore a training for obtaining the title state auditor was organised in 2017 which will be completed in the first half of 2018 and is intended to prepare the auditors to successfully deal with the challenges yet to come.

Besides addressing most topical fields of auditing, the Court of Audit sets itself the achievement of even higher goals. In future we strive to focus on those fields of operations of the users of public funds where all the imposed corrective measures were not or will not be (fully) adequate and where auditees planned such corrective measures which could improve their operations in the medium term. We thus refer to follow-up audits of measures and recommendations after the elapse of a certain period. In 2017, the Court of Audit received 48 response reports and published 32 post-audit reports where it assessed 156 corrective measures. 121 measures were assessed as adequate, 21 as partially adequate and 14 as inadequate. Nevertheless, we endeavour that our findings could provide for the fulfilment of corrective measures also after expiry of the 90-day statutory deadline defined for the submission of a response report.

In this regard, we collide with important but sensitive field of sanctions of the Court of Audit. A time comes when for the successful remedy of irregularities regarding the past issues, as well as for directing future moves, it shall be necessary to thoroughly consider the powers and responsibilities of our and

other institutions. Increased supervisory function and efficient sanctions will be of key importance as regards compliance or non-compliance with statutory regulations. In not so distant future we are to be expected to efficiently respond to findings regarding constitutionality of certain issues. Taking this into account, we anticipate a coherent reflection about systemic regulations affecting also our work. Bearing in mind mostly multiple referendum initiatives that take a thick slice of the cake in terms of time and financial resources.

Although the advisory role of the Court of Audit is often overshadowed, mostly due to those audit reports which received greater response from different audiences, 157 written responses in the past year clearly indicate the need of the public sector to receive guidelines for its work, thereby the Court of Audit undoubtedly affects the management of public funds. One of the important circumstances affecting our work was also the appointment of the Fiscal Council in March 2017. The newly appointed body commenced its activities at the premises of the Court of Audit which, in accordance with the Fiscal Rule Act, provides administrative and technical support for its establishment and work.

When amendments and supplements of the act regulating public finance were being prepared last year, we again pointed out that, in accordance with the Constitution of the Republic of Slovenia, the Court of Audit, the Constitutional Court and the Human Rights Ombudsman have a special position within the organisation of the State. Special nature of the aforementioned three constitutional authorities, based on basic constitutional definitions, pertaining especially to the relationship to the legislative and executive branches of government, is evident from emphasised autonomy and independence the integral part of which is also financial perspective. This is why we endeavour that the provisions of the regulations concerning

public finance shall not intervene with the autonomous and independent position of the concerned authorities in a way not complying with the constitution, specifically in the part pertaining to budget preparation and expenditure implementation withholding, including the requirement for preliminary consent of the competent ministry, since this can considerably interfere with financial autonomy of the Court of Audit and affect smooth implementation of its operations. One of 17 objectives of sustainable development adopted by United Nations calls for strong institutions. The same objective in addition to efficient management and high-quality public administration is also set out by the national strategic document that defines confidence in institutions as the criterion. Gaining and raising confidence, however, will be one out our aims also in future. It is precisely for that reason absolutely necessary for the institution to be autonomous and independent.

At the same time, our operations and activities will be supported by professional, objective, efficient, timely and balanced approach and in line with sustainable development. Last year, we placed urban beehives on the roof top of our SAI that are also providing us the protocol gifts. This symbolic action will help us to spread and share not just our primary audit mission but also the priorities of our activities in future. After all, the General Assembly of the United Nations declared World Bee Day in 2017 on the initiative of the Republic of Slovenia. This unique initiative brings together Slovenian tradition and is at the same time a decisive step towards reaching objectives of sustainable development concerning food safety, biodiversity, environment and health. These and several other sustainable objectives will be pursued also by Slovenian Court of Audit.

Tomaž Vesel,
President of the Court of Audit

1.2 About the Court of Audit

1.2.1 Powers

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

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

1.2.2 Objectives

The mission of the Court of Audit is to inform the public and the National Assembly about important findings from the audits of operations of the users of public funds in a timely and objective manner and, based on its experience and knowledge of good practices, to provide advice to the users of public funds on how to improve their operations. By disclosing irregularities and inefficiencies, it points to the responsibility of state bodies and holders of public office and thus serves for the benefit of all the citizens of the Republic of Slovenia and the European Union.

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

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

Operations of non-governmental organisations and adequately developed non-governmental sector represent one of preconditions for the implementation of principles of pluralism and democracy. This is why it is necessary to ensure appropriate mechanisms for promoting development of non-governmental organisations and their cooperation in establishing and implementing public policies. Non-governmental organisations also shape Economic and fiscal policy (code 02).

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

PROGRAMME	SUBPROGRAMME
0201 Regulating fiscal policy	Implementing and regulating fiscal policy Payment services for the budget userse
0202 Bases for economic and development policy and preparation of macroeconomic analyses and forecasts	Statistical survey Preparation of analyses and forecasts
0203 Fiscal surveillance	Operations of the Court of Audit (020301) Legal protection and control over public procurement procedures Public law records and audit control Control over money laundering prevention Internal control, examining budgetary spending and audit Operations of the Fiscal Council
0205 Financial administration	Financial administration

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

1.2.3 Strategy of the Court of Audit

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

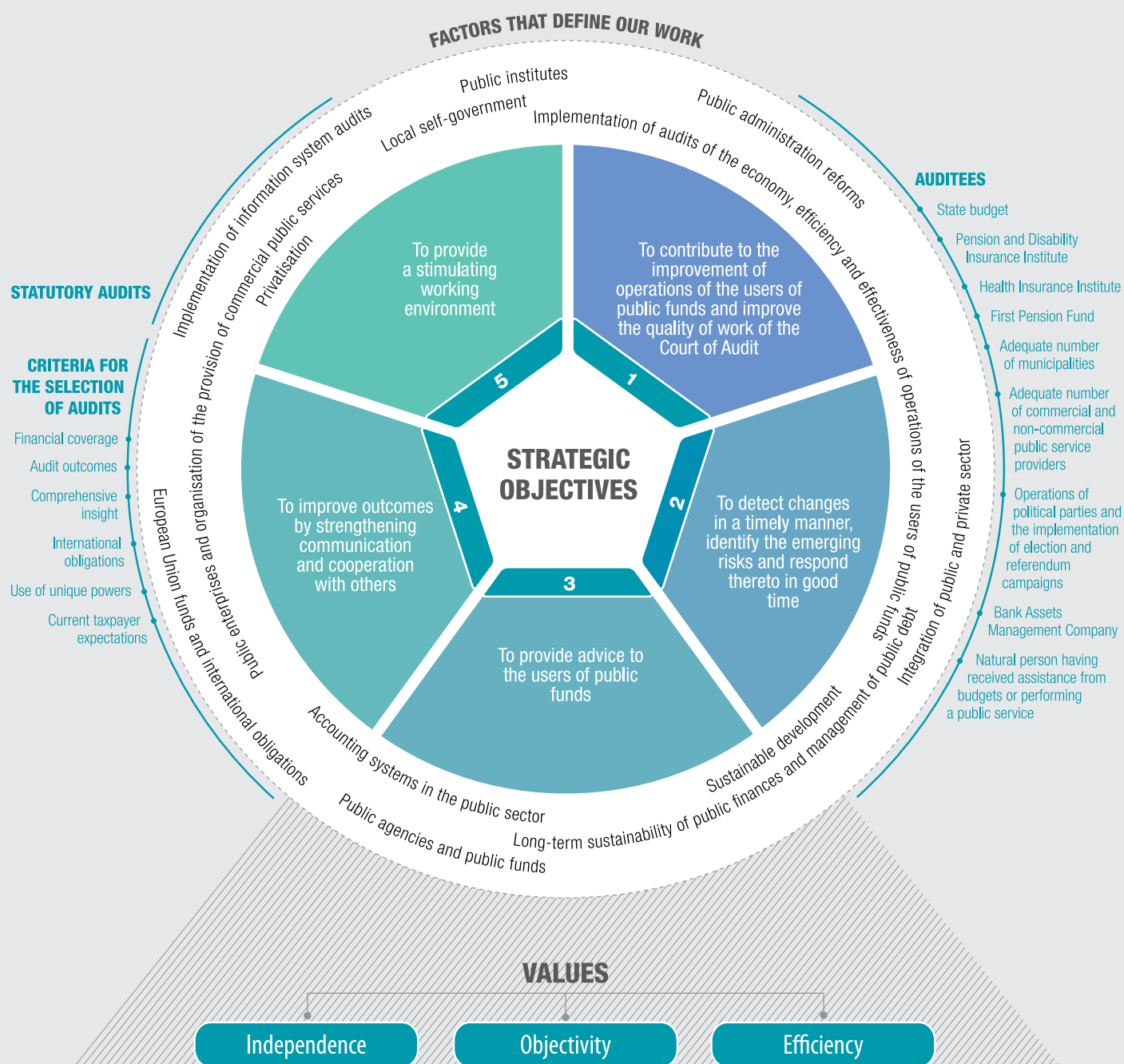
- objective 1:** to contribute to the improvement of operations of the users of public funds and improve the quality of work of the Court of Audit
- objective 2:** to detect changes in a timely manner, identify the emerging risks and respond thereto in good time
- objective 3:** to provide advice to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

These strategic objectives were considered in the annual programme of work for the exercise of auditing powers for 2017.



Strategy 20¹⁴₂₀

Watching over public money.



1.2.4 Sustainable Development

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

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

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

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



Photo: Franc Šivic

KEY RESULTS



64

issued audit reports

268

recommendations give to the users of public funds



32

post audit reports

372

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

156

assessed corrective measures



134

auditees

121

adequately implemented corrective measures



17

reports discussed by the National Assembly and the National Council



407

received initiatives for auditing



3.827

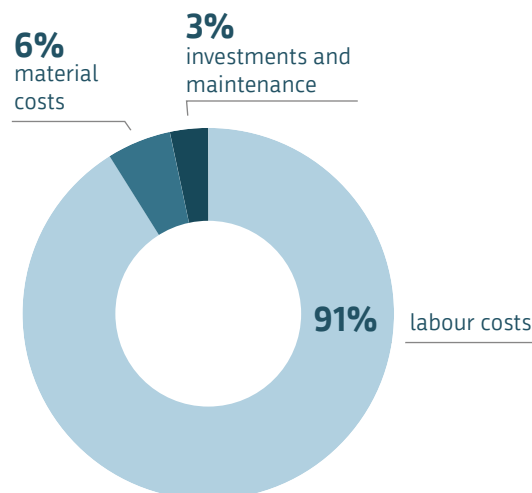
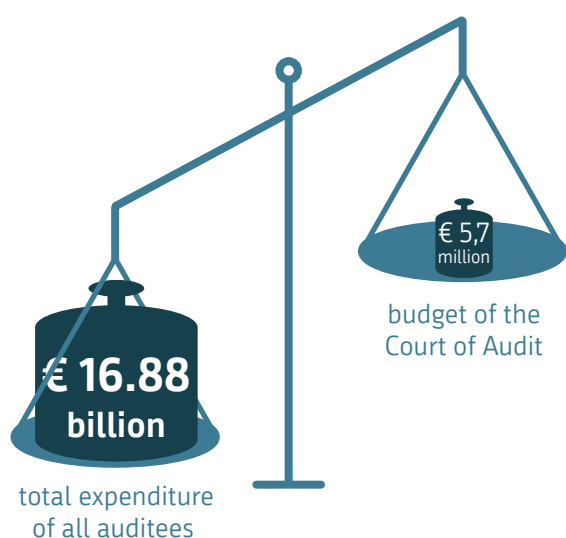
media publications related to the Court of Audit



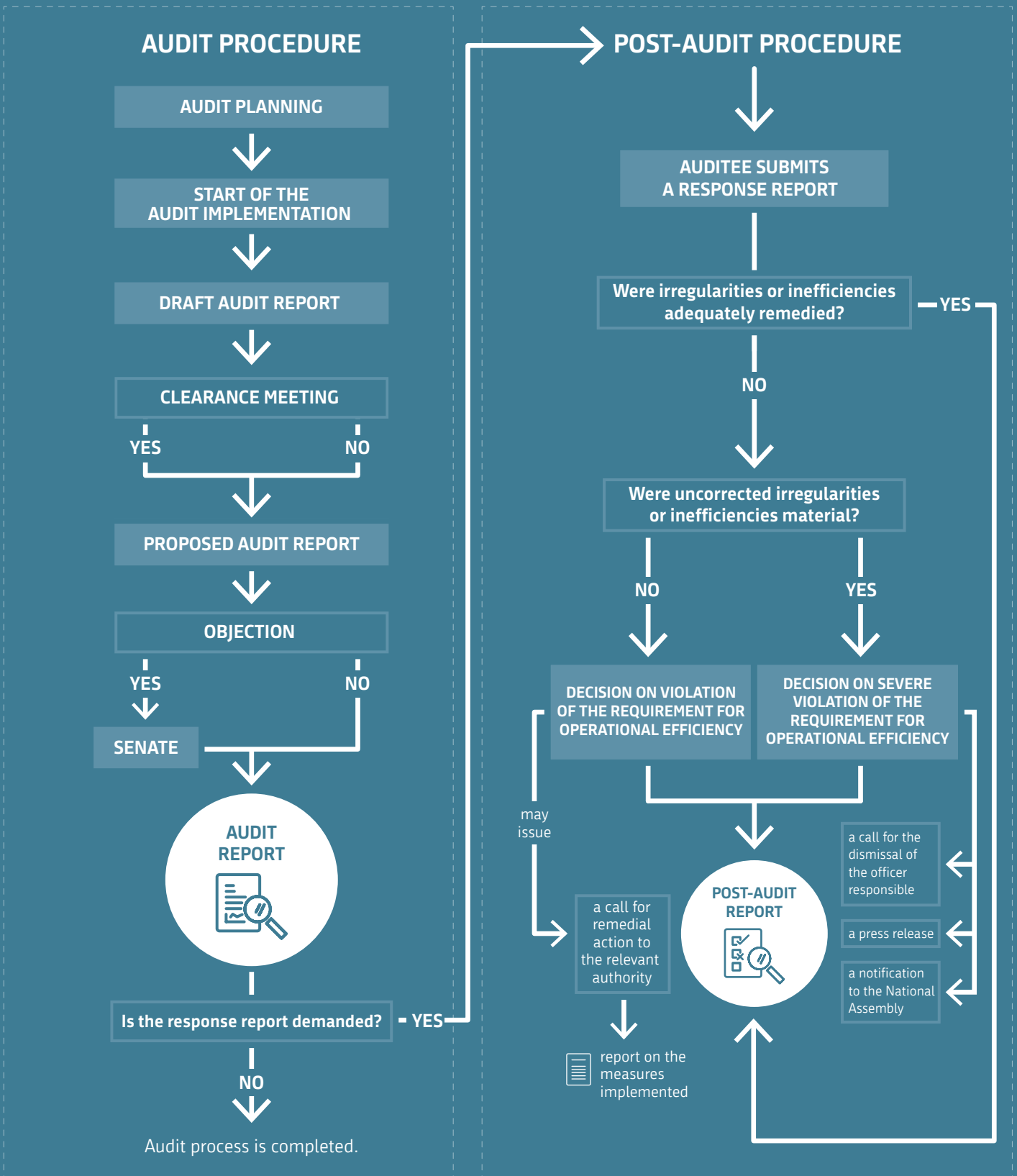
157

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

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



AUDIT PROCESS



2. DELIVERY OF OBJECTIVES

2.1 Meeting the Objective 1: to contribute to the improvement of operations of the users of public funds and improve the quality of work of the Court of Audit

AUDITS

TOPICS COVERED BY THE AUDITS



PUBLIC SECTOR FUNDS



HEALTHCARE



ENVIRONMENT



POLITICAL PARTIES



EU FUNDS



COMMERCIAL PUBLIC SERVICES



OTHER AREAS

64

AUDIT REPORTS



PROPOSALS TO THE AMENDMENTS
OF THE LEGISLATION

SAVINGS

RECOMMENDATIONS

CORRECTIVE
MEASURES

35 AUDIT REPORTS
WITHOUT A DEMAND

29 DEMANDS TO SUBMIT
RESPONSE REPORTS

+
DEMANDS TO SUBMIT
RESPONSE REPORTS
CONCERNING 2016

AUDITEES

156 MEASURES IN THE
RESPONSE REPORTS

- 121 adequate
- 21 partially adequate
- 14 inadequate

32

POST-AUDIT REPORTS



AUDIT OPINIONS
EXPRESSED

41 on the regularity of operations

- 8 unqualified
- 28 qualified
- 5 adverse
- 2 rejections of an opinion

3 on the financial statements

- 2 unqualified
- 1 qualified
- 1 rejection of an opinion

27 on the performance of operations

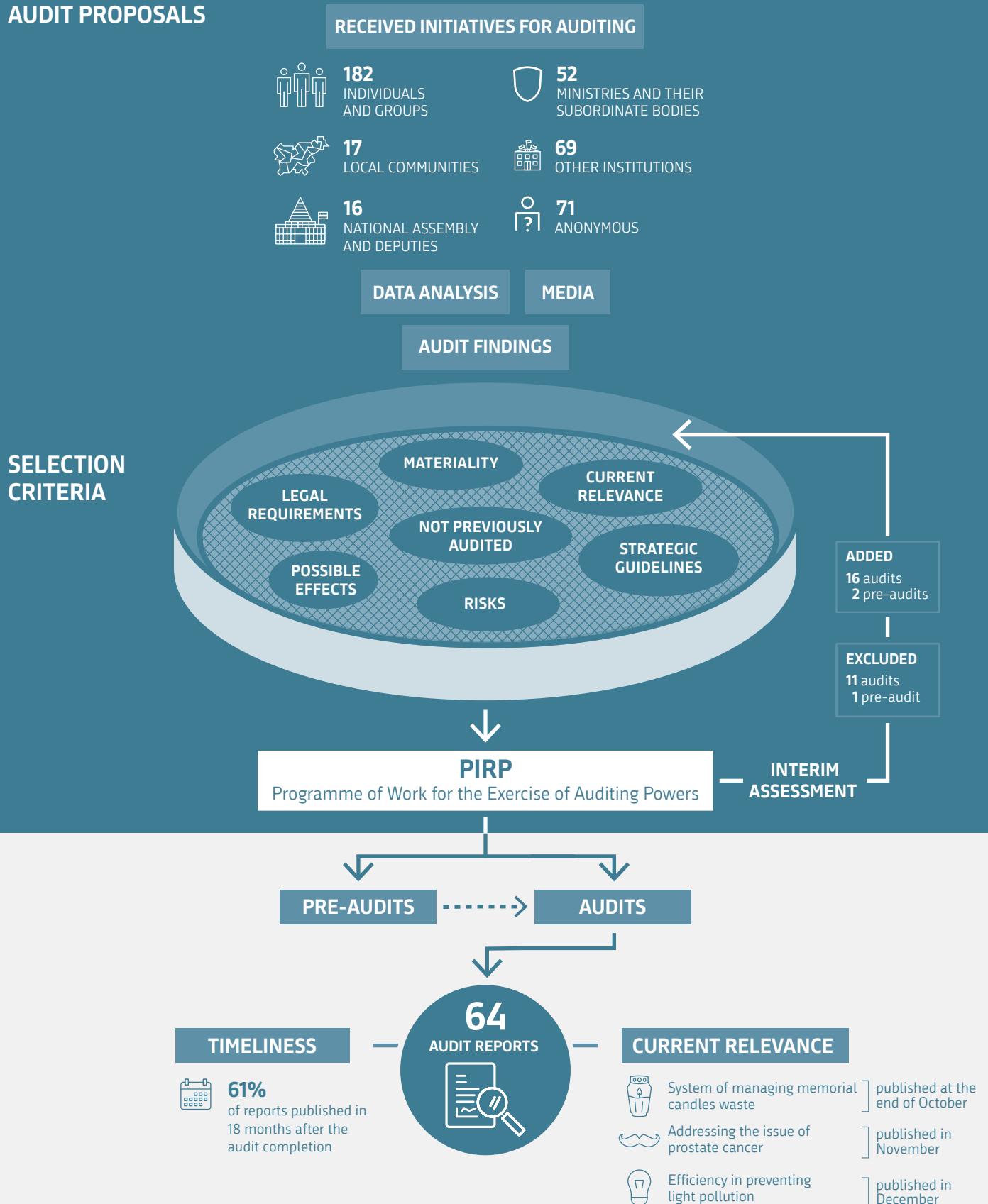
- 27 descriptive

16
decisions on
violation of the
requirement for
operational
efficiency

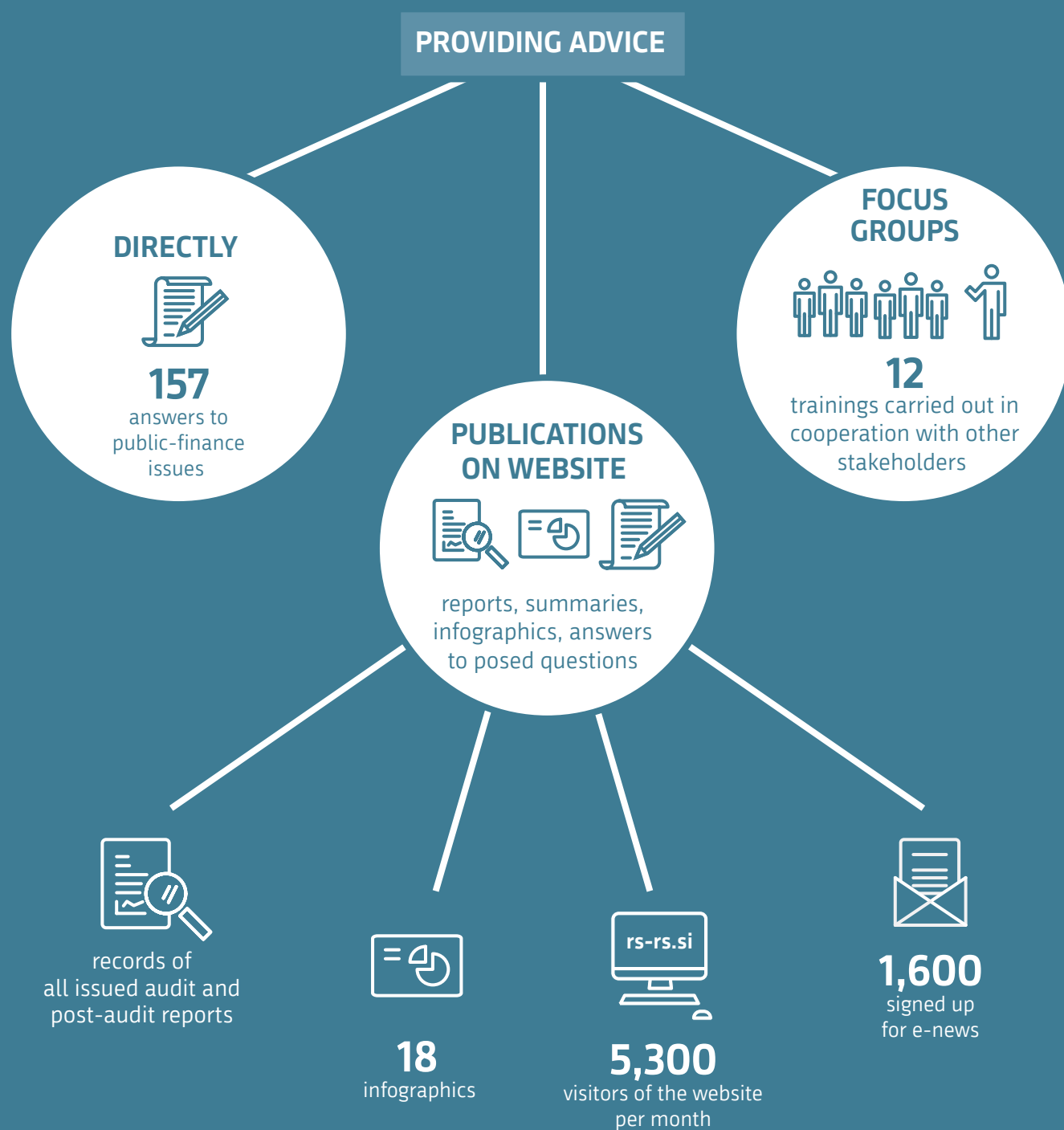
2.2 Meeting the Objective 2: to detect changes in a timely manner, identify the emerging risks and respond thereto in good time

AUDIT PLANNING

AUDIT PROPOSALS



2.3 Meeting the Objective 3: to provide advice to the users of public funds



2.4 Meeting the Objective 4: to improve outcomes by strengthening communication and cooperation with others

WEBSITE



64

published audit reports



71

published
news



5,300

visitors
per month



1,600

signed up
for e-news



32

published post-audit reports

COOPERATION WITH THE MEDIA AND THE PUBLIC

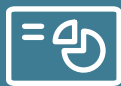


88

written questions
by journalists



available
phone
communication



18

infographics

3,827
media publications
related to the
Court of Audit



721

news articles



1,634

publications
on the internet



1,472

radio and television reports

COOPERATION WITH THE NATIONAL ASSEMBLY AND THE NATIONAL COUNCIL



17

reports discussed by the
National Assembly and
the National Council

Commission
for Public
Finance Control

Committee
on Health

Commission
for Relations
with Slovenes
in Neighbouring
and Other
Countries

INTERNATIONAL COOPERATION



18

meetings
held abroad



15

representatives of
the Court of Audit

9

presentations

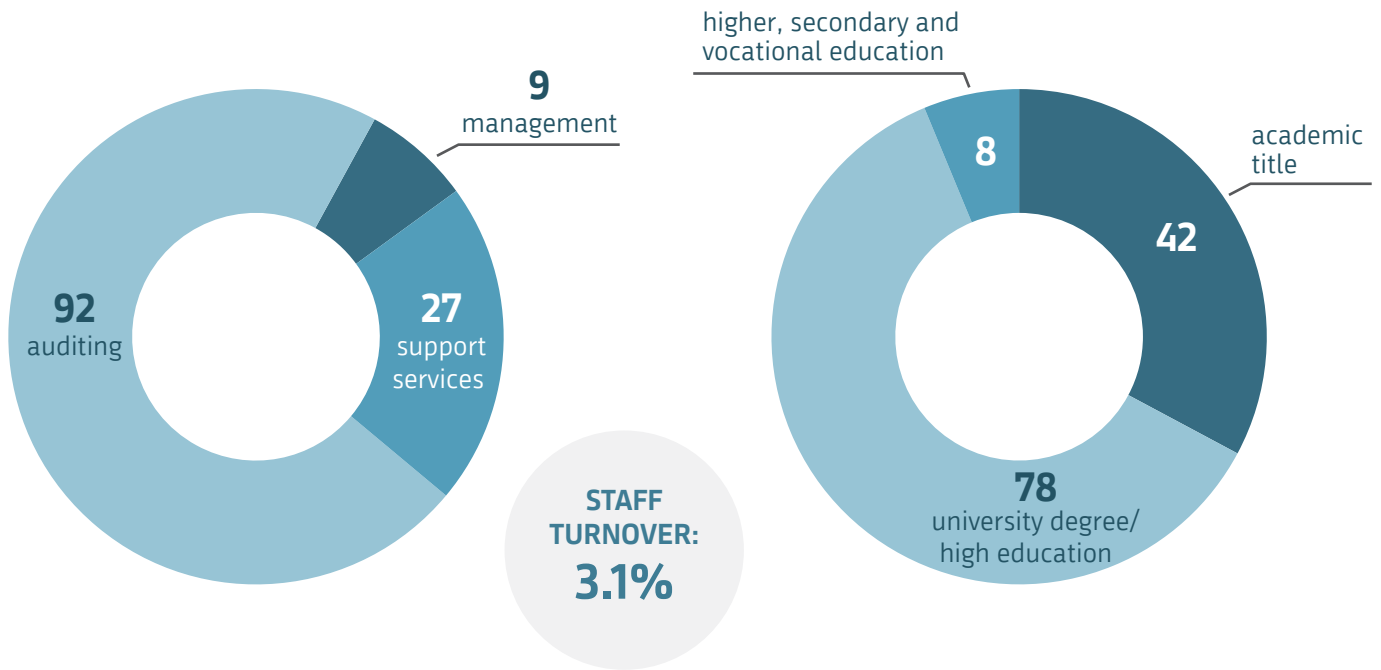


3

visits by foreign
delegations

2.5 Meeting the Objective 5:
to provide a stimulating working environment

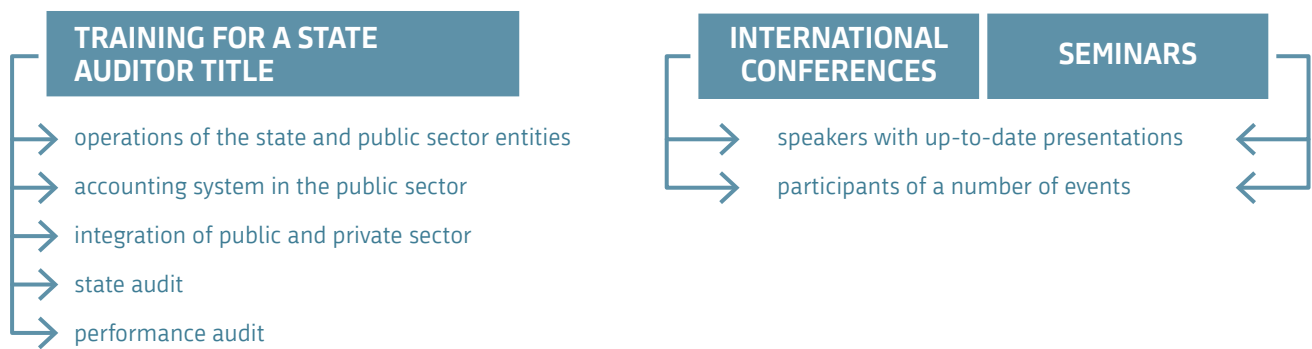
STRUCTURE OF EMPLOYEES BY FIELD OF ACTIVITIES AND FORMAL QUALIFICATION



DEVELOPMENT OF AN ANNUAL TRAINING PROGRAMME



PROFESSIONAL DEVELOPMENT TRAININGS







REPUBLIC OF SLOVENIA
COURT OF AUDIT

Watching over public money

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