



REPUBLIC OF SLOVENIA
COURT OF AUDIT

ANNUAL REPORT
2021



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
COURT OF AUDIT

ANNUAL REPORT 2021

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NOTE:

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1. INTRODUCTION

1.1 Opening address by the President

Watching over public money

Reporting on our work in the past year is also an opportunity to point out the future development of the Court of Audit and to consider whether the path taken up to now was successful, objective and efficient. Even more, since I was entrusted a task of particular relevance: to manage the Court of Audit for the last nine years and to cooperate in the development of the institution in the concerned period.

It is an immense privilege as well as a responsibility, not only from the perspective of management of the institution but mainly to ascertain how we can influence the rational use of public funds. Of course, we cannot be attributed solely special merits for success in the development of the Slovenian society, nor shoulder the responsibility for the problems being evident in the demanding public finance situation of Slovenia. I do believe that by implementing our activities we were able to point out some issues, which need to be solved, either verifying or eliminating risks by using arguments that were detected by different stakeholders, and at the same time we undoubtedly

contributed to highlighting some important social issues, which occurred on the list of necessary interventions.

At the end of 2021, the Court of Audit issued 60 audit reports and 1 joint audit report, which is fully comparable with the previous years. They referred to the operations of 122 auditees whose total expenditure amounted to EUR 22 billion in 2021 being for EUR 2.6 billion more than in 2020. The Court of Audit expressed 35 descriptive opinions in performance audits and 37 opinions on the regularity of operations and financial statements. Out of it, 11 unqualified opinions, 16 qualified opinions and 10 adverse opinions, meaning that the most frequent type of opinion expressed in 2021 was a qualified opinion, since 43% of the opinions were expressed on the regularity of operations and on financial statements. In 2021, the Court of Audit demanded in 23 cases the submission of the response report, representing 38% of all issued reports. Pertaining to the audits for which audit reports were issued in 2021 the users of public funds in order to remedy or improve operations in future implemented 417 corrective measures out of 492 implemented corrective measures already during the audit procedure signifying that the majority of measures is taken already during the audit implementation, which particularly pleases us since this shows significant response of auditees and that our demands are taken very seriously. In addition to audit reports, there were also 15 post-audit reports issued in 2021. In the published post-audit reports, the Court of Audit assessed 75 corrective measures. Whereby, 59 corrective measures were implemented adequately (79%), 12 partially adequately (16%) and 4 corrective measure were assessed as inadequate (5%). Due to partially or inadequately implemented corrective measures, the Court of Audit issued 9 decisions on violation of the requirement for operational efficiency in 7 post-audit reports while it did not issue any calls for remedial actions. In 2021, the Court of Audit made several proposals to amend or supplement acts or implementing regulations respectively warned about certain risks due to lack of clarity or not harmonised provisions of particular regulations.

For 16 issued audit reports we also prepared infographics, which help us to present the audit reports in a clear, concise and understandable manner. When issuing the audit report Effectiveness of meeting the targets to reduce greenhouse gas emissions we developed and filmed longer video tackling the issue of identifying greenhouse gases and how they warm the Earth and what the consequences of rapid increase in greenhouse gas concentration are. The purpose of such report presentation is to address decision makers as well as individuals.

Undoubtedly, the year 2021 was in each and every aspect strongly marked by the COVID-19 pandemic. Due to experience gained in the period of pandemic in 2020 the circumstances did not severely affect the implementation of the annual programme of 2021. New methods of working, mainly increasing the amount of working from home and other measures, which reduced direct contacts between the employees, demanded new ways of communication. Therefore, the situation required adjusted communication and management of the teams working from home. Heads used new tools in order to keep in touch, to strengthen motivation and to focus on work assignments.

The advisory role of the Court of Audit which requires a lot of commitment is often overshadowed by audit reports that receive more attention by different public, nonetheless 85 written responses we issued last year, thus providing advice to the users of public funds, still show a clear need to be given guidelines for their work with which the Court of Audit undoubtedly preventively affects the management of public funds.

The year 2021 is regarding undertaken activities and dynamics of implemented audits fully comparable to previous years, while it cannot be compared from the perspective of conditions provided for implementing our mission, since we cannot neglect the demanding and often unprofessional interventions of politics and related media. Our independence was challenged and from certain time distance it will be possible to attribute the challenge to another negative side effect of the pandemic which left far-reaching consequences for society and public finance situation.

Hysteria of the political environment, which embedded the Court of Audit unwillingly, shows how strong the defensive mechanisms of the independent institutions are and the sensitivity of the public towards the experiments with the politicisation of the state auditing. Therefore, I can assess that the defensive walls, which provide us the independence, stood firmly against all the pressure, but it is necessary to rethink whether all mechanisms must be checked, namely those that provide us the special position and also expectations to implement our work impartially and efficiently. We were forced to insist on the appropriate communication, since public speech sunk into dimensions which were some time ago unimaginable. Despite the demanding situation last years were not lost, even in times of inappropriate communication, disrespect and attempts of relativisation of our findings we managed to point out several topics, which would otherwise remained overlooked.

The Court of Audit, the Constitutional Court and the Human Rights Ombudsman pointed out several times in the past the need to amend legislation on public finance which would safeguard special legal position of certain national bodies within the organisation of the State. The applicable law significantly intervenes with the autonomous and independent financial position of these authorities, thus affecting smooth implementation of their operations and is inadmissible interference in their autonomy and independence granted by the Constitution. Despite the decision of the Constitutional Court in December 2020 and our expectations that the evident discrepancies shall be in one-year period remedied, we are sorry and extremely concerned that the remedial action did not take place. Nevertheless, we hope that all inconsistencies shall be remedied in the shortest possible time. Namely, it is an important aspect of ensuring and preserving the independence of the institutions which must be in the interest of the State, thus we warn again that the public finance issue must be immediately solved.

During my term of service as the President of the Court of Audit, in the last nine years we issued 540 audit reports, 208 post-audit reports and 8 joint reports. Our work programmes were carefully planned in order to consider all challenges that have or could have an important impact on public finance. Our auditing authority in the fields of healthcare, energy, environment, state assets, education, culture, commercial public services, sustainable development, local self-government, social services and political system was clearly observed. Special attention was given to the vulnerable social groups – from the elderly, the young, precarious workers, perhaps we did not consider enough the needs of the economy and were not firm enough when enforcing the demanded corrective measures.

Being the head of the Court of Audit was not always easy, even though it is an immense privilege. Primarily, as almost every audit report brings about some bad mood among politicians or other decision makers. Messages given by the Court of Audit are not always simple and are not willingly accepted. Nevertheless, I am certain that we succeeded after all, did not remain silent when it was necessary to speak and did not succumb to the temptation of the audit tyranny, which is possible due to our broad authorities.

However, there is a gap in expectations related to our work, which was managed mainly by responding to emerging issues using direct communication, thus preventing a potential problem to grow and result in unsuitable public finance impacts. Unfortunately, formalised legal framework of our operations is not always favourable towards that approach so I am sorry that the necessary amendments of the

Court of Audit Act were not adopted in the past two years. I firmly believe that we could be even more efficient if some amendments were adopted, while the rights of the auditees would not be importantly affected. The current legal framework does not support the development dynamics and the need to react quickly, which is expected in future, thus the key challenge in the future shall be response time and quality of audit recommendations as well as advisory role based on previously reviewed information rather than expansion of audit topics or knowledge.

Current circumstances which have burdened fragile healthcare, political and economic systems, as well as worrying public finance situation shall affect the quality of our lives. The time of key decisions is ahead of us, since a decade of postponing the necessary changes caused too many negative consequences.

Such situation can also be seen as an opportunity to set up new frames of tolerant and productive communication where state auditors certainly have their role. The importance of the role shall depend on several factors: their commitment, personal courage and persistence.

Our work built foundations for this role, broadened the horizons of auditing, strengthened our widespread recognition, because we became an institution whose opinion matters, the citizens and civil society recognise us as credible partners, we are respected in the international community, our development strategies are straightforward and mainly we are building on the work carried out by an impressive team of committed professionals who understand and live their mission. We owe them gratitude for their past cooperation and above all they are the assurance that the Court of Audit shall remain a relevant element of the society and shall audit regularity of operations and analyse performance of public funds use, thus holding a mirror to the state and local communities.



Tomaž Vesel,
President of the Court of Audit

KEY RESULTS



60 + 1

audit reports **joint audit report**



15

post audit reports



492

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



315

recommendations given to the users of public funds



283

received initiatives for auditing



122

audited users of public funds



85

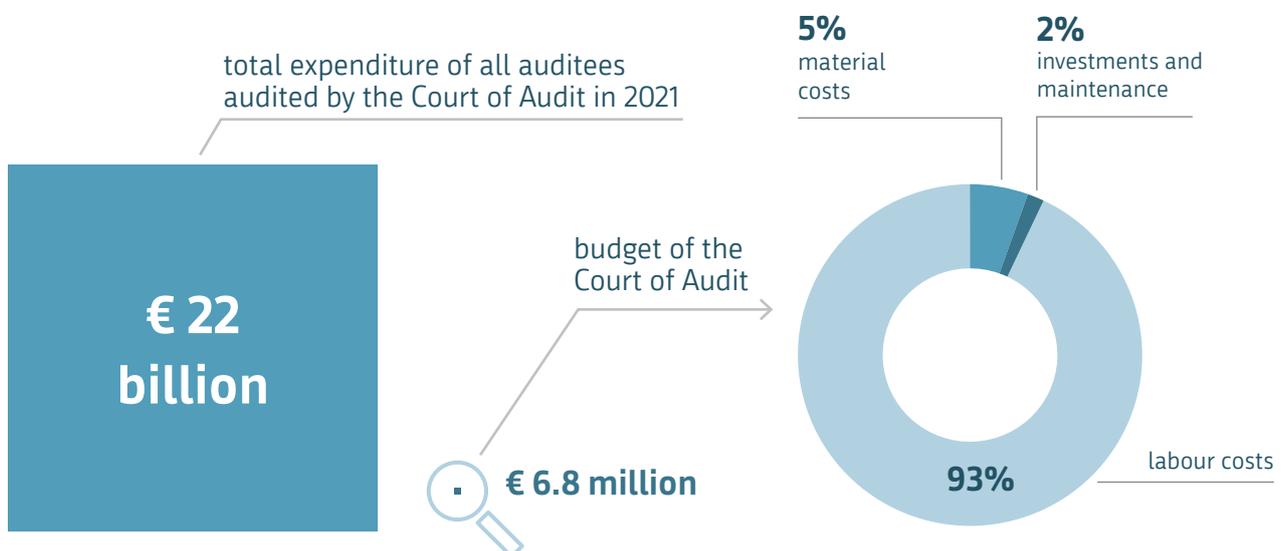
written responses to the questions posed by the users of public funds



11

discussions by the National Assembly and the National Council

TOTAL EXPENDITURE OF AUDITEES AND BUDGET OF THE COURT OF AUDIT



AUDIT PLANNING

RECEIVED INITIATIVES FOR AUDITING

283
RECEIVED
INITIATIVES

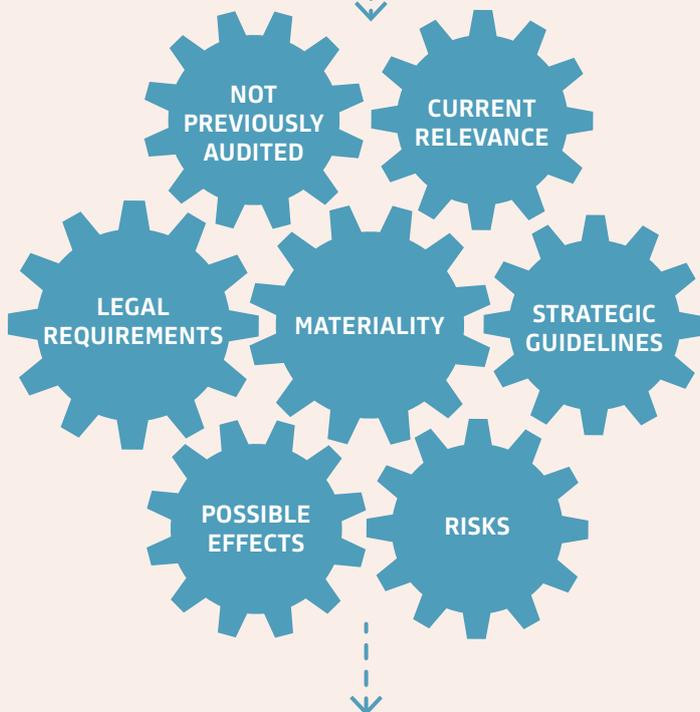
DATA
ANALYSIS

MEDIA

AUDIT
FINDINGS



SELECTION CRITERIA



INTERIM ASSESSMENT



PROGRAMME OF WORK FOR THE
EXERCISE OF AUDITING POWERS

AUDITS

TOPICS COVERED BY THE AUDITS



STATE BUDGET



LOCAL SELF-GOVERNMENT



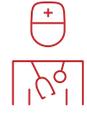
JURISDICTION



STATE ASSETS



EU FUNDS



HEALTHCARE



EDUCATION AND SPORT



CULTURE AND ART



PUBLIC UTILITY SERVICES



ENVIRONMENT



INFRASTRUCTURE AND PLANNING



SUSTAINABLE DEVELOPMENT



IT SYSTEM



POLITICAL SYSTEM



SOCIAL SECURITY SYSTEM



SCIENCE



DEFENCE



INTERNATIONAL AFFAIRS

64
AUDIT REPORTS

AUDIT OPINIONS EXPRESSED

CORRECTIVE MEASURES

PROPOSALS TO THE AMENDMENTS OF THE LEGISLATION

SAVINGS

RECOMMENDATIONS

34 on the regularity of operations



8 unqualified



16 qualified



10 adverse

3 on the financial statements



3 unqualified

35 on the performance of operations



35 descriptive

23 demands to submit response reports

37 audit reports without a demand

75 measures in the response reports

59 adequate
 12 partially adequate
 4 inadequate

15
POST-AUDIT REPORTS

9 
DECISIONS ON VIOLATION OF THE REQUIREMENT FOR OPERATIONAL EFFICIENCY

COOPERATION WITH THE MEDIA AND THE PUBLIC

16
infographics



93
written responses
to questions posed
by journalists



39
news
published
online

4
own video
products

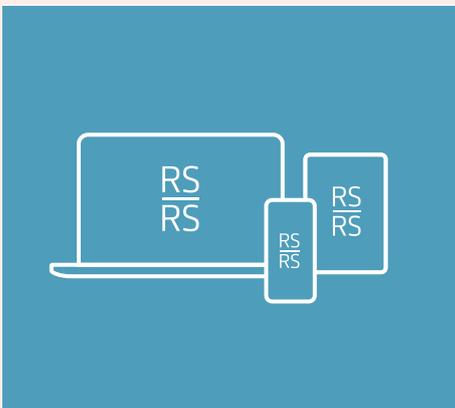


53,660
views of the
most popular post
on social media



available phone
communication

WEBSITE



Our website provides positions and opinions,
important for the users of public funds.



Social media - Facebook, Twitter and YouTube are used
exclusively for informing the public about our work.

COUNSELING

OPINIONS AND ANSWERS TO THE USERS OF PUBLIC FUNDS



85
written responses
to the questions
posed by the users
of public funds

MOSTLY

- to non-commercial and commercial public service providers
- to local communities
- to political parties and organisers of the election campaigns
- to ministries and their subordinate bodies



7
events intended
for external users
of public funds
and other public

TARGET GROUPS



26
trainings for
domestic and
international
audience

PUBLICATIONS ON THE WEBSITE



database of all audit
and post-audit reports



summaries and
infographics



views and
opinions



manuals and
auditing standards

COOPERATION WITH THE NATIONAL ASSEMBLY AND THE NATIONAL COUNCIL

10

discussions in the National Assembly

7

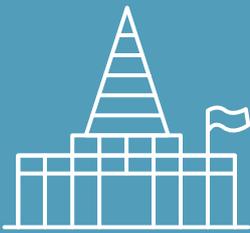
discussions of the Commission for Public Finance Control

2

sessions of the National Assembly

1

discussion by the Economic Committee



1

discussion in the National Council

0

sessions of the National Council

1

discussion of the Committee on Economy, Crafts, Tourism and Finance

INTERNATIONAL COOPERATION

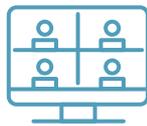
34

international events



24

video conferences



4

meetings abroad



6

visits by foreign delegations



26

representatives of the Court of Audit at the events



1

joint international audit



4

articles in the international publications



COOPERATION IN INTERNATIONAL ORGANISATIONS

INTOSAI

EUROSAI

EURORAI

Contact Committee

OECD

V4+2 Group

Bilateral cooperation

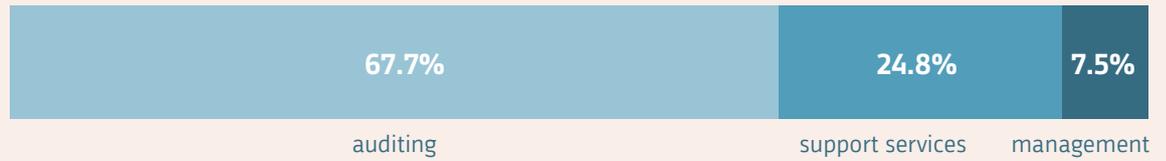
Other international organisations

EMPLOYEES

133

NUMBER OF
EMPLOYEES

Structure of employees by field of activities



Structure of employees by formal qualification



STAFF
TURNOVER
4.5%

PROFESSIONAL DEVELOPMENT TRAININGS



DEVELOPMENT OF AN ANNUAL TRAINING PROGRAMME

TOPICAL
PROFESSIONAL
ISSUES

AMENDED
LEGISLATION

PROPOSALS
BY EMPLOYEES

IN-PERSON LEARNING IN SLOVENIA AND DISTANCE LEARNING COURSES



employees attended seminars and conferences organised by different institutions in Slovenia

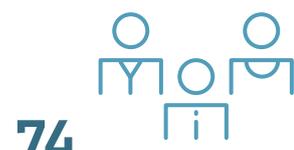


employees attended webinars

TRAININGS ORGANISED BY THE COURT OF AUDIT



trainings organised by the Court of Audit



employees participated in trainings

AUDIT PROCESS

AUDIT PROCEDURE

AUDIT PLANNING



START OF THE AUDIT IMPLEMENTATION



DRAFT AUDIT REPORT



CLEARANCE MEETING

NO

YES



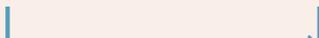
PROPOSED AUDIT REPORT



OBJECTION

NO

YES



SENATE



Is the reponse report demanded?

—YES

NO



AUDIT PROCESS IS COMPLETED

POST-AUDIT PROCEDURE

AUDITEE SUBMITS A RESPONSE REPORT

Were irregularities or inefficiencies adequately remedied?

—YES

NO

Were uncorrected irregularities or inefficiencies material?

NO

YES

DECISION ON VIOLATION OF THE REQUIREMENT FOR OPERATIONAL EFFICIENCY

DECISION ON SEVERE VIOLATION OF THE REQUIREMENT FOR OPERATIONAL EFFICIENCY

may issue

a call for remedial action to the relevant authority



REPORT ON THE MEASURES IMPLEMENTED

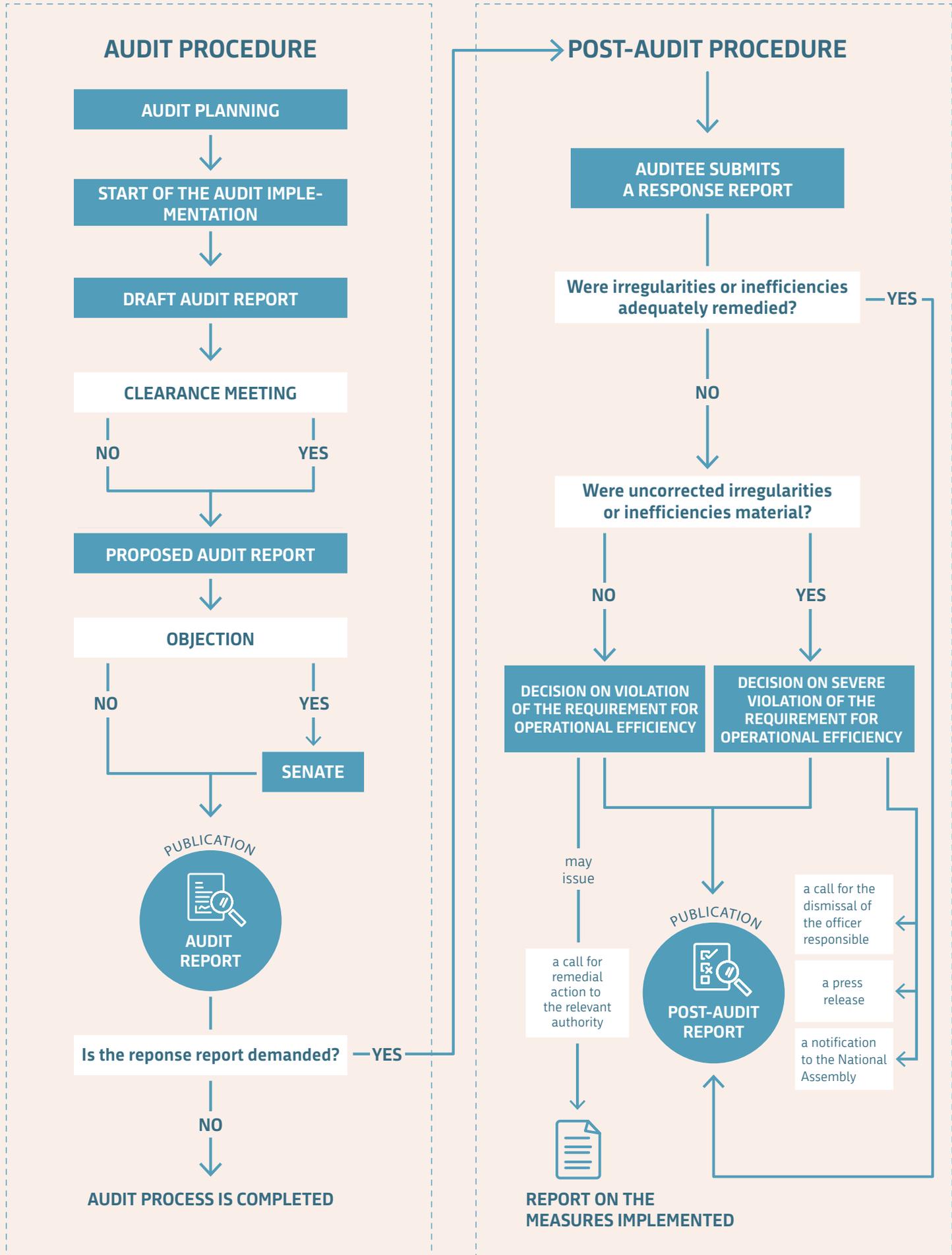
PUBLICATION



a call for the dismissal of the officer responsible

a press release

a notification to the National Assembly





2. COURT OF AUDIT OF THE REPUBLIC OF SLOVENIA



The Court of Audit is independent, objective and efficient in the performance of its duties.

2.1 Activities

Article 150 of the Constitution of the Republic of Slovenia provides that the Court of Audit is the highest authority 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.

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 sub-programmes, as presented below:

PROGRAMME	SUB-PROGRAMME
Regulating fiscal policy	<ul style="list-style-type: none"> • Implementing and regulating fiscal policy • Payment services for the budget users
Bases for economic and development policy and preparation of macroeconomic analyses and forecasts	<ul style="list-style-type: none"> • Statistical survey • Preparation of analyses and forecasts
Fiscal surveillance	<ul style="list-style-type: none"> • 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
Financial administration	<ul style="list-style-type: none"> • 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 Council programme.

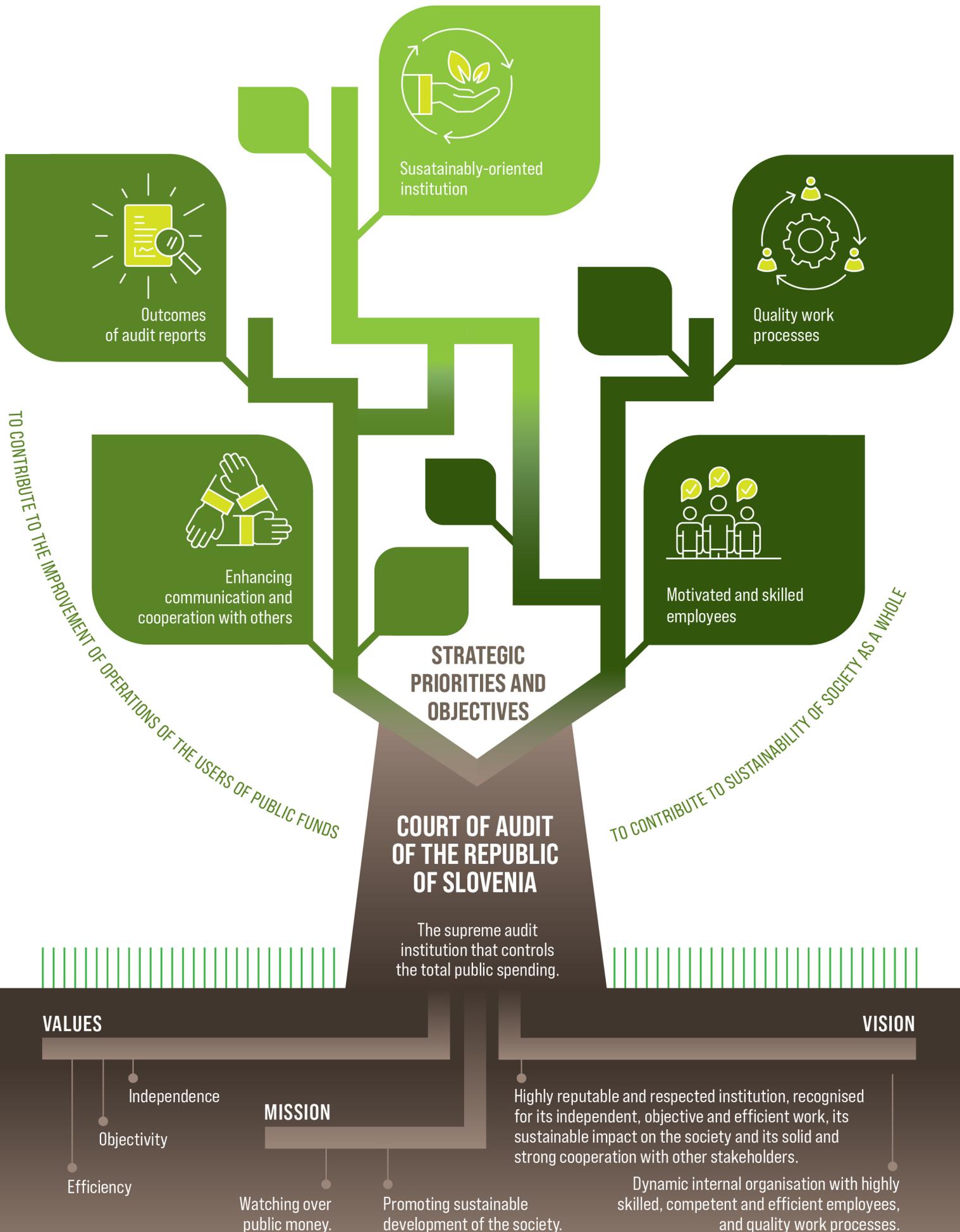
2.3 Strategy of the Court of Audit

In 2021 a new Strategy of the Court of Audit of the Republic of Slovenia 2021–2024 came into force. At that time also Human Resource Strategy 2021–2024 and Communication Strategy 2021-2024 were adopted as recommended in the process of self evaluation based on the INTOSAI Performance Measurement Framework. The principal strategic objective of the Court of Audit is to contribute to the improvement of operations of the users of public funds and to sustainability of society as a whole.

It is to be achieved through careful preparation and realisation of annual programme of work for the exercise of audit powers which shall address an adequate scope of auditees included in the audit, by high-quality and relevant audit reports and well-considered and constructive corrective measures and recommendations. By implementing audits, our institution aims to achieve the greatest outcomes possible regarding the operations of the users of public funds and the efficient management of public assets, to warn about possible future risks, to ensure sustainability of public finances and to encourage users of public funds and citizens to act in a sustainable manner. Based upon the key objective the Court of Audit set 5 specific strategic objectives which are dual – directed outwards and inwards. Besides maintaining the status of trustworthy and respected institution, which is publicly recognised by its independent, objective and efficient work and its users-targeted services and a significant impact on the society through its sustainability-oriented audits, we endeavour to provide a stimulative working environment to employees, who represent the greatest potential and the most important capacity for achieving the key objective and mission of the institution.



STRATEGY OF THE COURT OF AUDIT 2021-2024



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 Agenda 2030 and the 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 laid down also in the new Strategy of the Court of Audit.

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.



REPUBLIC OF SLOVENIA
COURT OF AUDIT

Watching over public money

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