



REPUBLIC OF SLOVENIA
COURT OF AUDIT

JOINT REPORT

**Regularity of a part of operations
of municipalities pertaining to the budget
preparation and presentation of the annual
financial statement**

Regularity audits

Audit period: from the commencement of activities
pertaining to the 2016 budget preparation to 30 June 2017

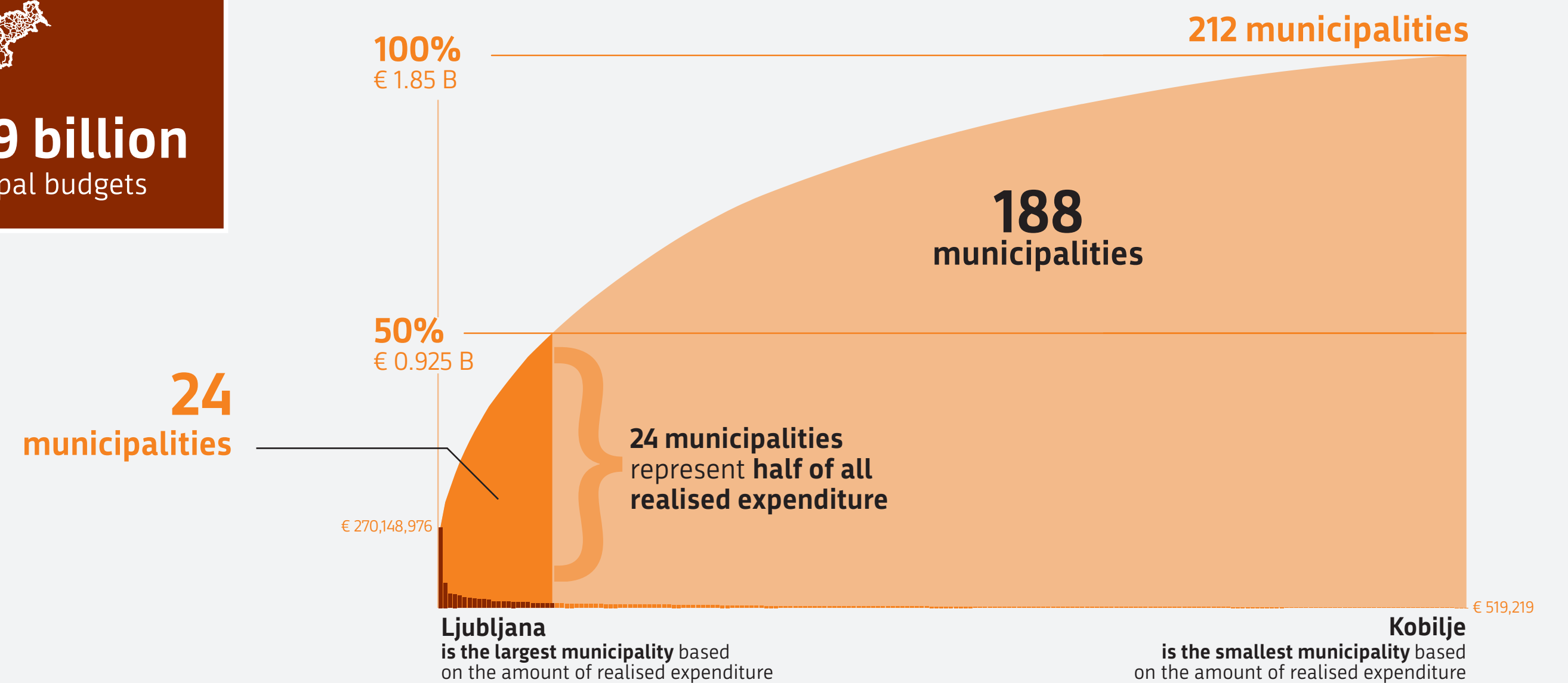
The Republic of Slovenia budget outturn for 2016



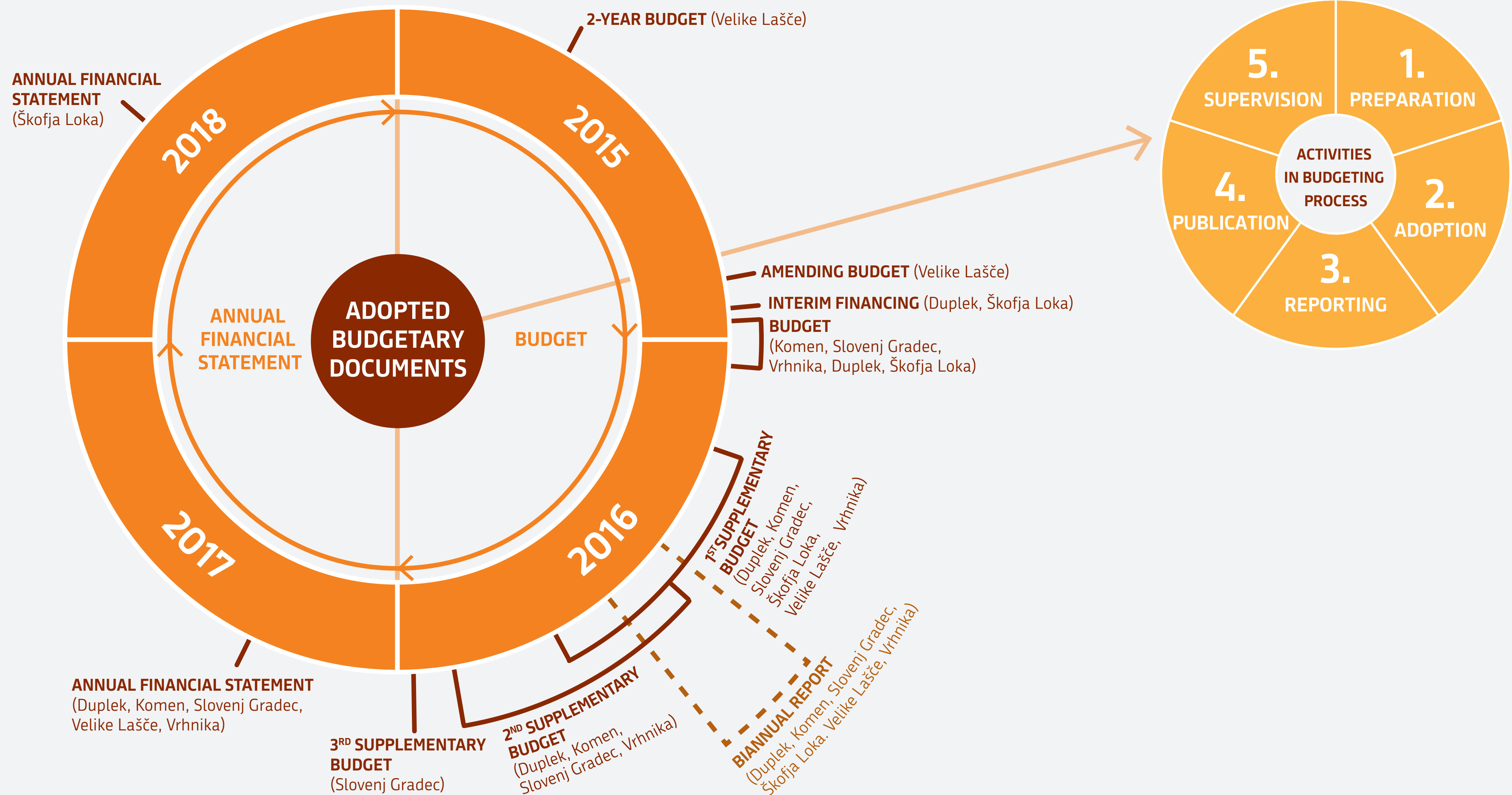
Audited municipalities



Realised expenditure of all municipalities in 2016



Adopted budgetary documents for 2016*



*In the audited municipalities.

Classification of public finance projects and expenditure



WHAT

do municipalities pay from budgetary funds?



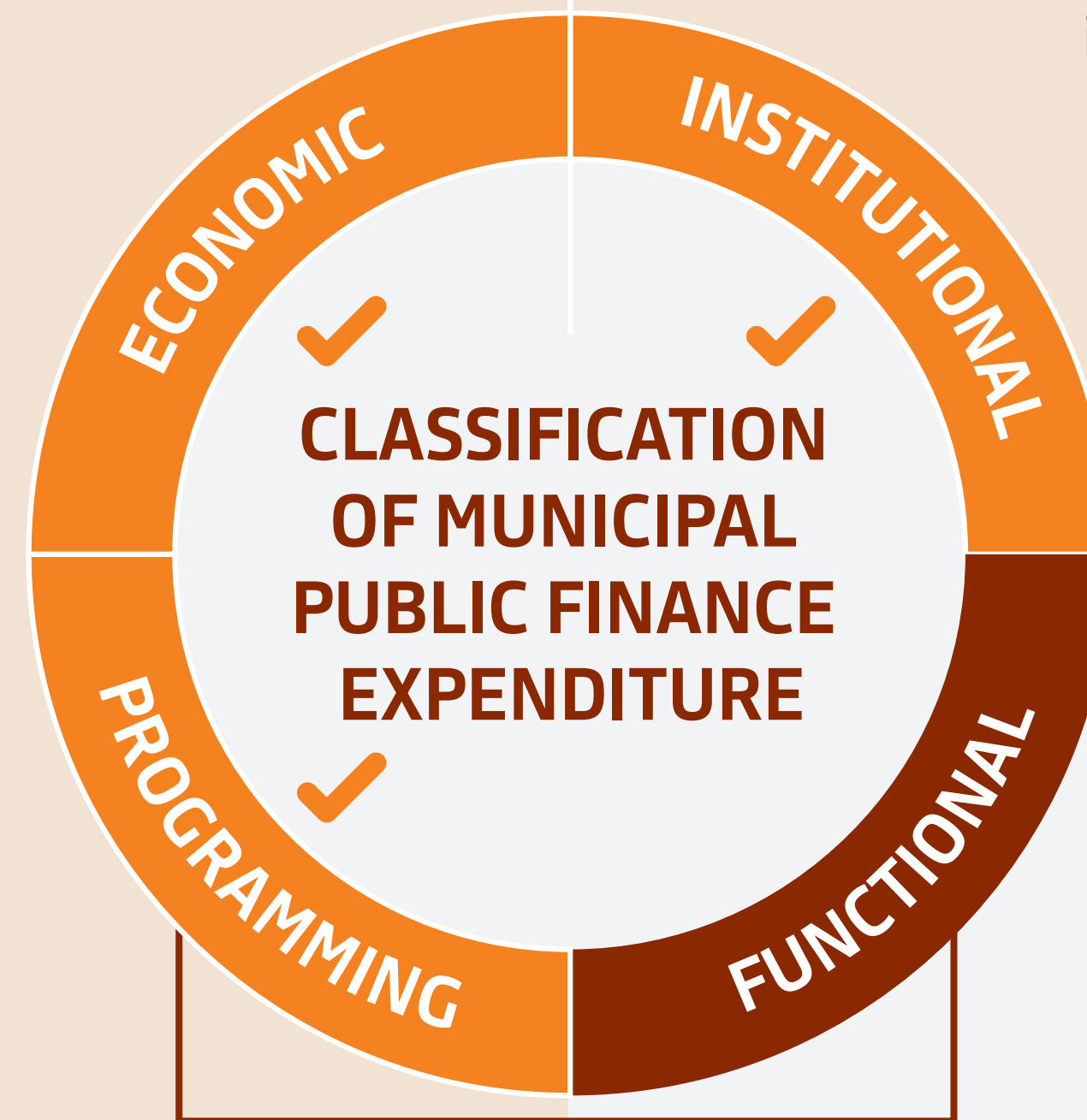
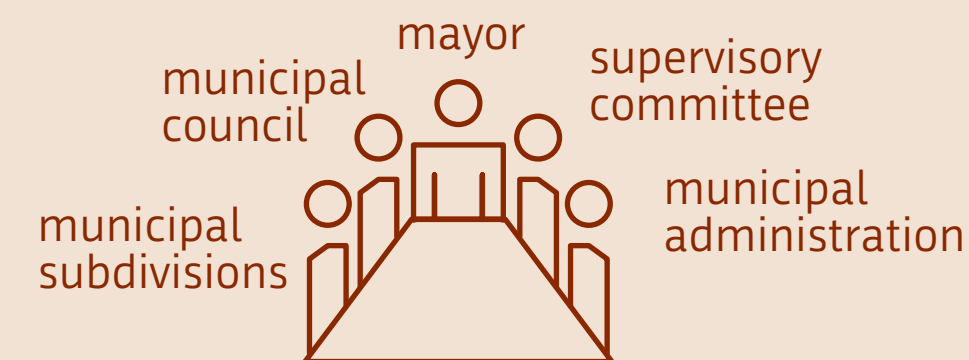
FOR WHAT

do municipalities use budgetary funds?

- 21 areas of budget spending
- 61 main programmes
- 122 sub-programmes

WHO

uses budgetary funds in municipalities?

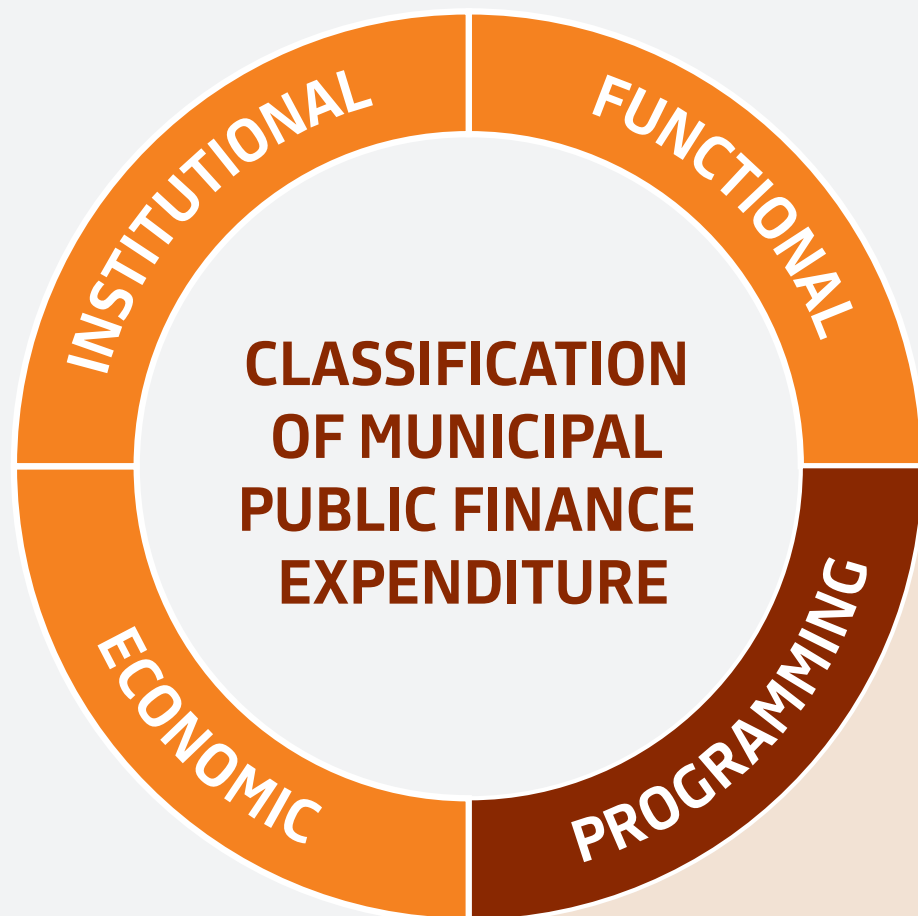


presentation by 10 municipal functions – for the purpose of international comparisons → COFOG*

RECOMMENDATION TO THE MINISTRY OF FINANCE

to examine the relevance of the regularisation, according to which the presentation of public finance revenue and expenditure by functional classification is **a mandatory part of budgetary documents of municipalities**

Ministry of Finance
APPrA-O online application
↓
connection established between sub-programmes of programming classification and sub-divisions of functional classification



Explanation of main programmes and sub-programmes in four areas of budget spending

14 Economy, 17 Health care, 18 Culture, sports and non-governmental organisations, 19 Education

<p>BUDGET</p>	<p>mostly included are objectives of the main programme and specific objectives of the sub-programme → not formulated in a way that they can be measured</p> <hr/> <p>mostly indicators for measuring the achievement of objectives are not defined → if defined, they are not specified in a way allowing for measuring the achievement of the set objectives</p>	<p>ANNUAL FINANCIAL STATEMENT</p>	<p>assessment of success in achieving the set objectives mostly not included → if included, it is not presented in a way taking into account the indicators</p>
----------------------	--	--	--

↓ ↓

TRANSPARENCY OF MUNICIPAL OPERATIONS

↓ ↓

<p>the set objectives must be clearly defined, realistic and specified in a way that they can be measured</p>	<p>appropriate indicators for measuring the set objectives must be developed → only this makes it possible to establish, whether the objectives set by the municipality were actually achieved</p>
--	---

RECOMMENDATION TO THE MINISTRY OF FINANCE
to examine the possibility of developing methodological guidance, namely orientations for municipalities when preparing explanations of the proposal of the annual financial statement (representative example of objectives and indicators for measuring objectives)



Who can propose a project to be included in the development programme plan?



New Article 48.a of Local Self-Government Act (ZLS-S):

Municipality may, in the process of budget proposal preparation, define the amount of funds earmarked for financing the projects proposed by the residents.

Municipality shall carry out consultations with its residents about the proposed projects not later than by the submission of the budget to municipal council for adoption.

implemented investments **closer to the actual needs of residents**; their interest in active societal engagement is also increasing



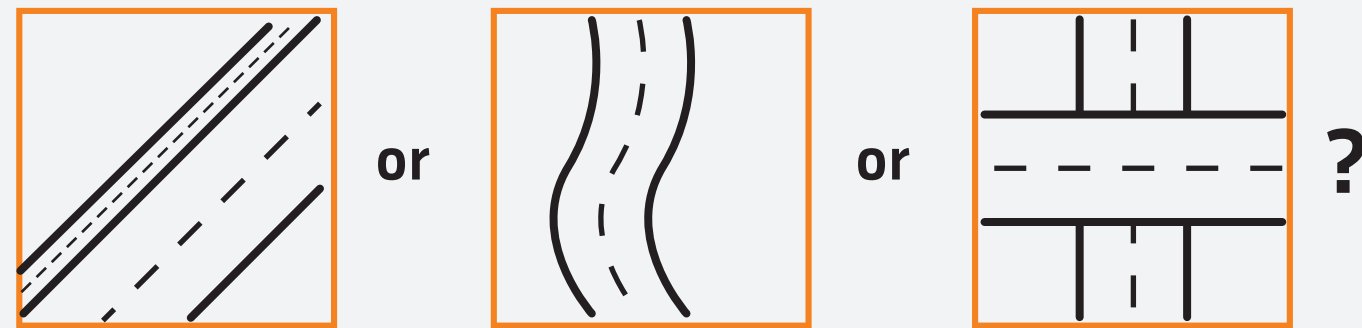
municipality obtains feedback information about the projects which, in the opinion of residents, should be carried out

Including projects in development programme plan (NRP)



SELECTION CRITERIA FOR COMPETITIVE PROJECTS

Objective selection among competitive projects is possible **only on the basis of defined criteria deriving from municipal long-term strategic guidelines, namely to select those most important for the development of the municipality.**



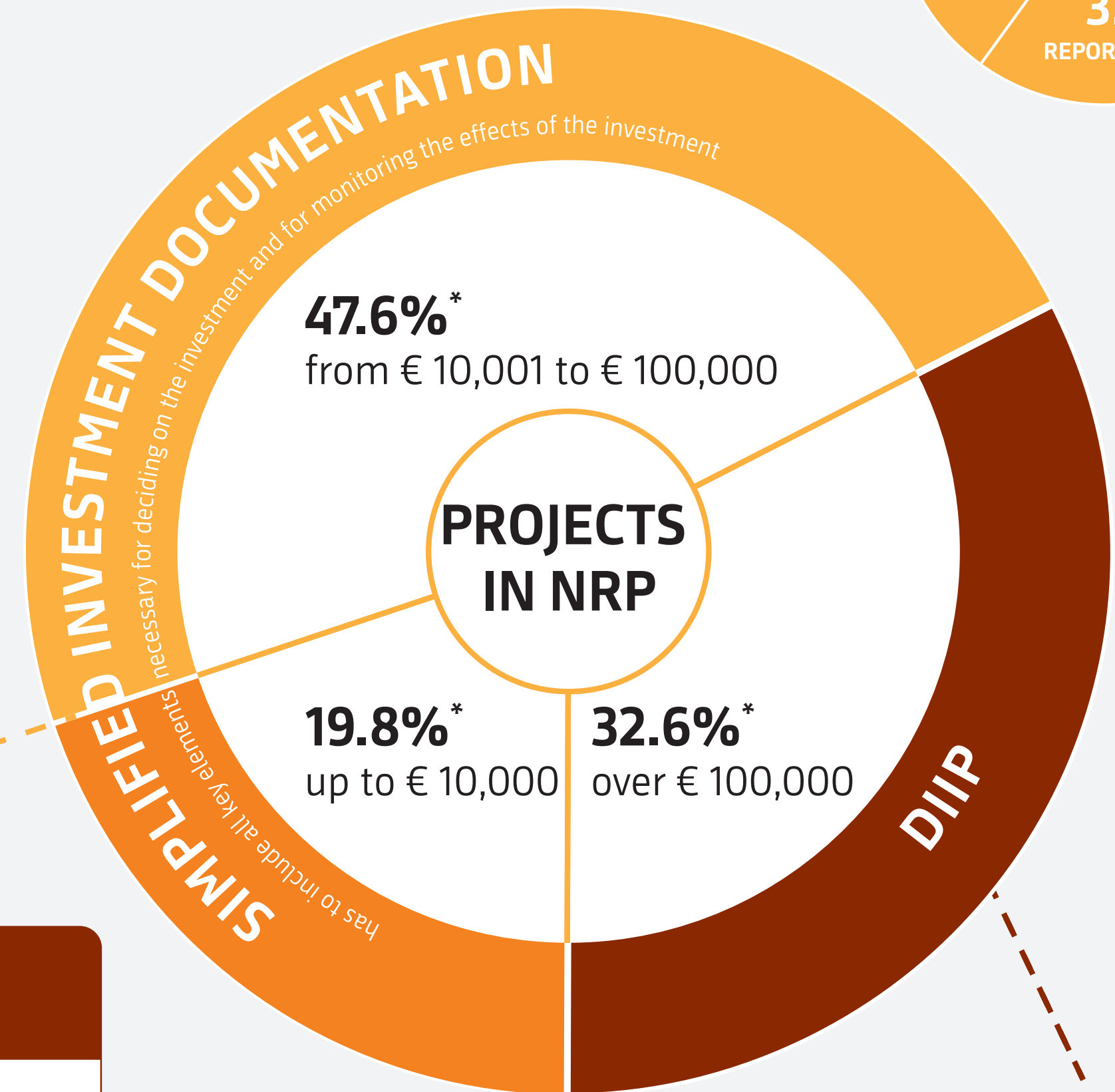
DIIP

investment project identification document
 ↓
 before inclusion in NRP
 ↓
drawing up DIIP

Does its preparation for each project make sense?

RECOMMENDATION TO THE MINISTRY OF FINANCE

to examine the merits of provisions, namely that preparation of a simplified investment documentation is **necessary** for all projects in the estimated amount up to € 100,000, **including small value projects** (e.g. up to € 10,000), respectively **a standard document** with the most basic data on the project should be devised for small value projects



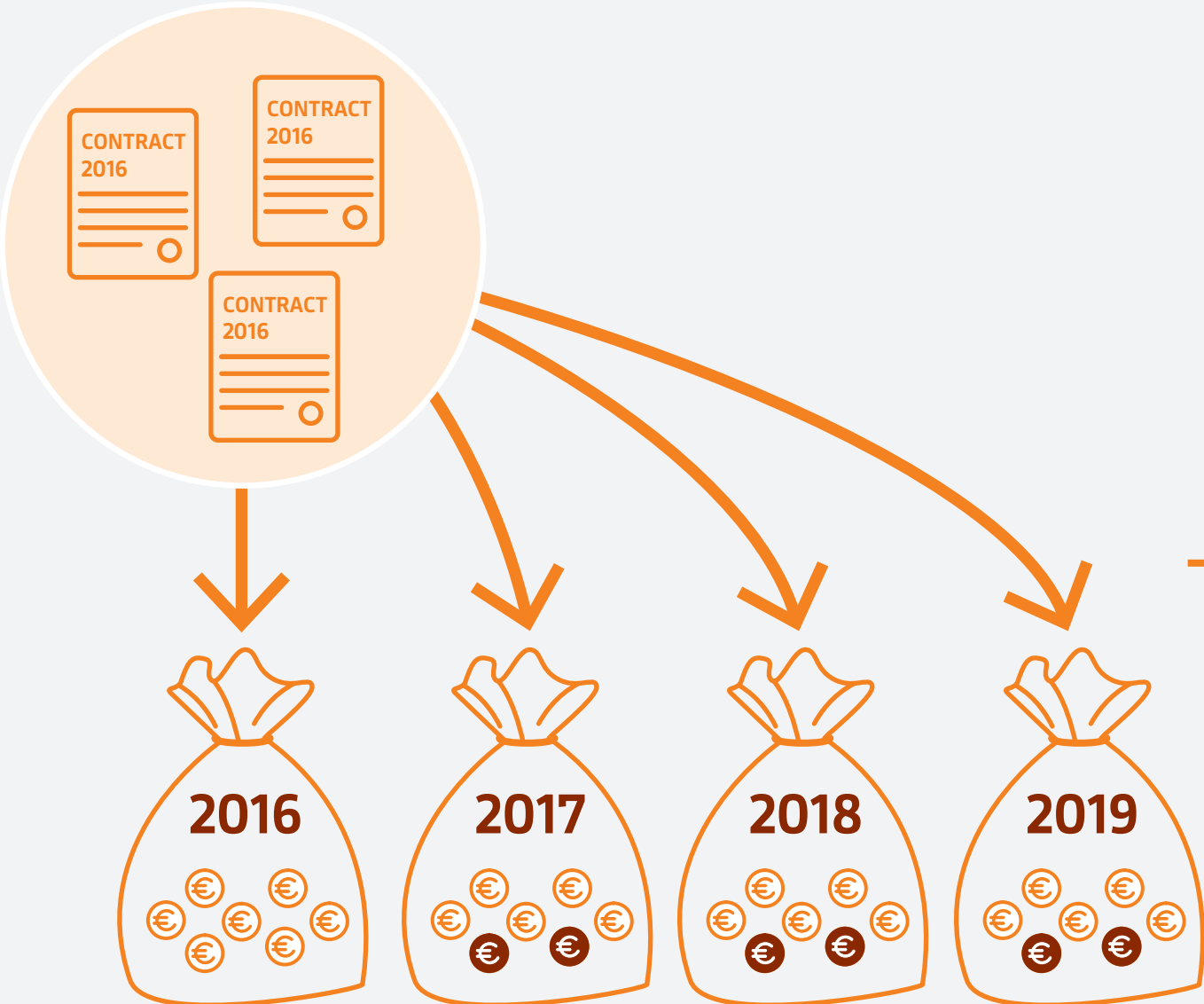
GREATER TRANSPARENCY OF THE PROJECT

some elements of DIIP are appropriately defined in terms of content and well founded

Future budgetary commitments



Budgetary planning for the following years **may be significantly affected by budgetary appropriations earmarked in advance** for specifically defined purpose.



REGULATIONS DO NOT REQUIRE FROM MUNICIPALITIES:

to establish a record for monitoring future budgetary commitments

RECOMMENDATION TO THE MINISTRY OF FINANCE
to examine, whether it is relevant to amend regulations in a way to clearly lay down the obligation of municipalities to establish records of documents representing the basis for assuming budgetary commitments for the current year and future years, with the purpose, amount and maturities specified

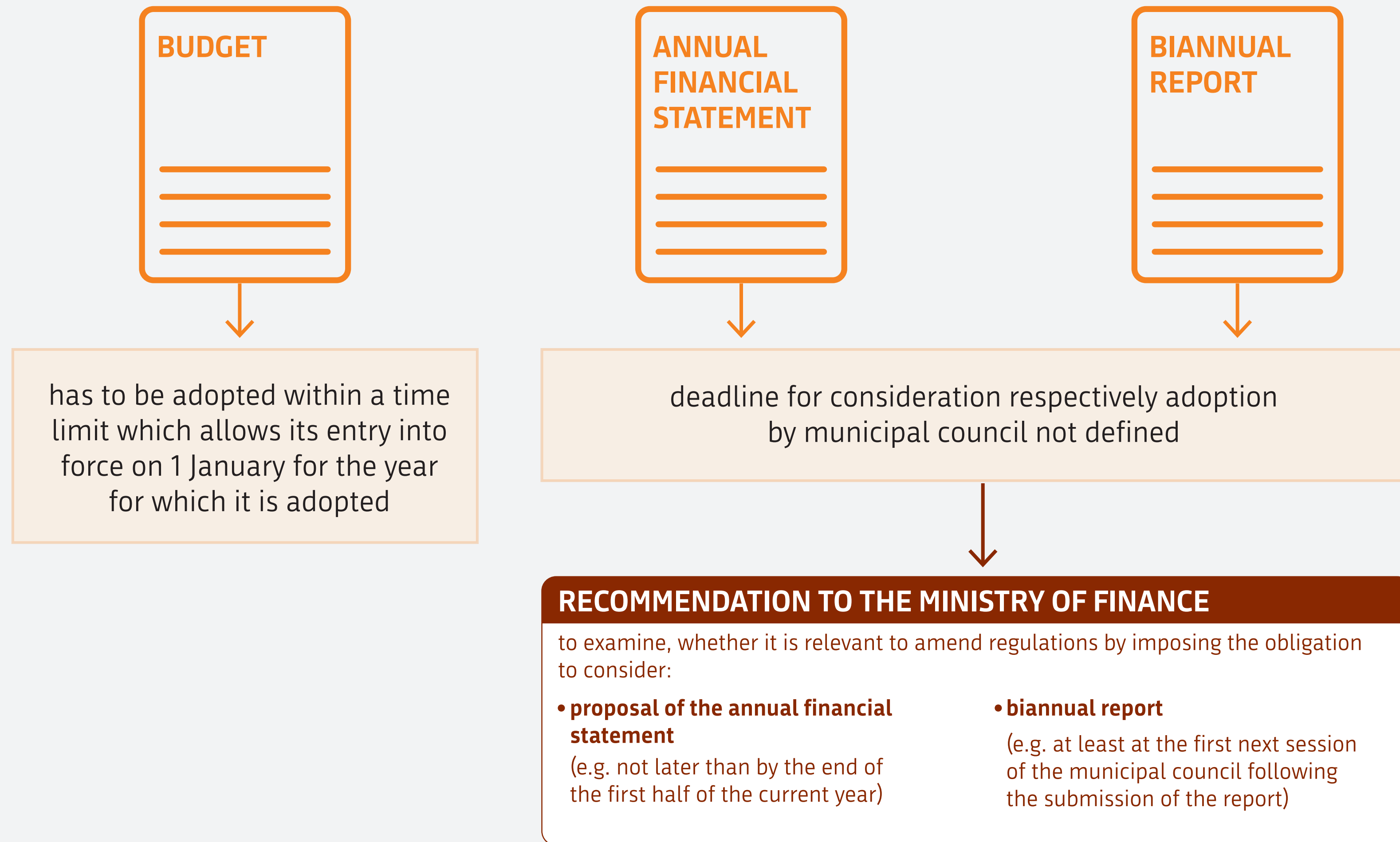
to report on future budgetary commitments

RECOMMENDATION TO THE MINISTRY OF FINANCE
to examine, whether it is relevant to amend regulations in a way that municipalities shall also report on assumed future budgetary commitments

GREATER TRANSPARENCY AND BETTER INFORMED PUBLIC

- reporting of municipalities also on future budgetary commitments
- presenting data on the amount and purpose of assumed future budgetary commitments at least in the explanations of budgetary documents

Adoption of budgetary documents

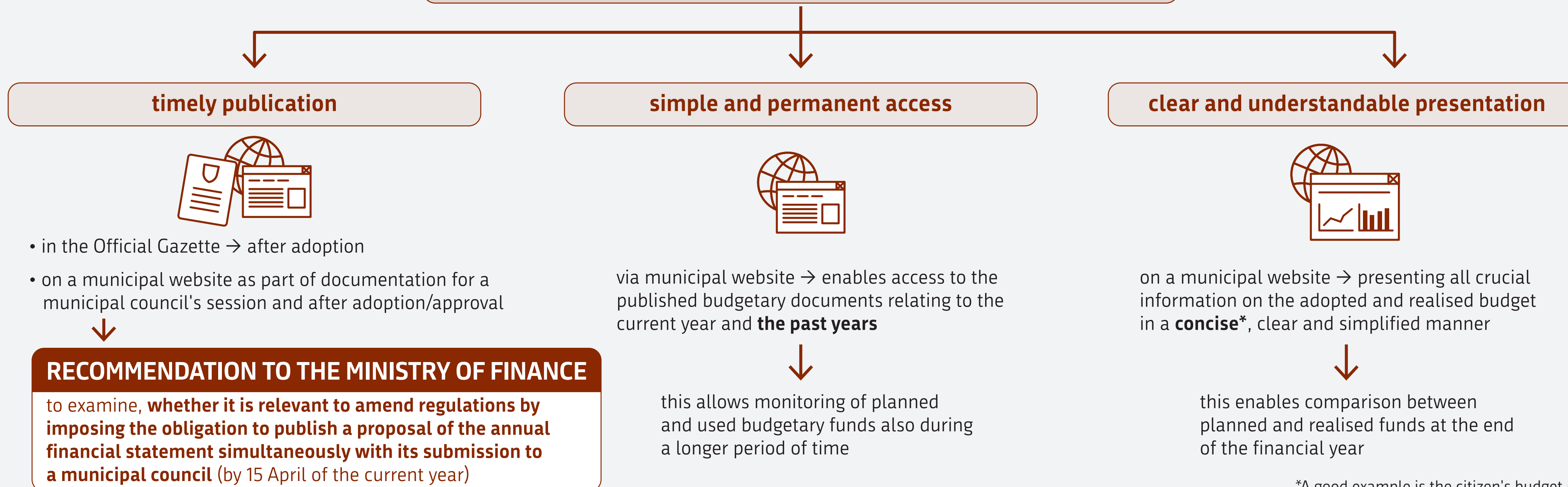


Publication of budgetary documents



		Obligation of publication	Form and content of publication
		in the Official Gazette → entry into force on the 15 th day after the publication, unless otherwise specified	not defined

GREATER TRANSPARENCY AND BETTER INFORMED PUBLIC



*A good example is the citizen's budget prepared by the Ministry of Finance for the 2017 and 2018 State budget.

Publication of reports on budget implementation during the year



	Obligation of publication	Form and content of publication
	not defined	not defined

GREATER TRANSPARENCY AND BETTER INFORMED PUBLIC

timely publication



on a municipal website as part of documentation for a municipal council's session and after adoption/approval (biannual report)

simple and permanent access



on a municipal website → to present budget outturn in the **first six months** and to publish the information on the budget outturn in the specific period **at least quarterly**

→ **in a concise**, clear and simplified manner



this enables continuous monitoring of the budget implementation and comparison between planned and realised funds already during the year

clear and understandable presentation

