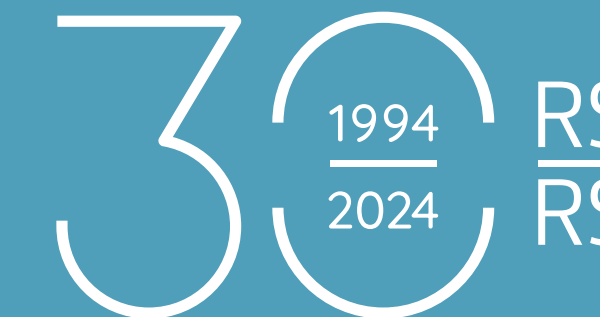




REPUBLIC OF SLOVENIA
COURT OF AUDIT



AUDIT REPORT

Audit of the Proposal of the annual financial statement of the budget of the Republic of Slovenia for the year 2023

Audit period: year 2023

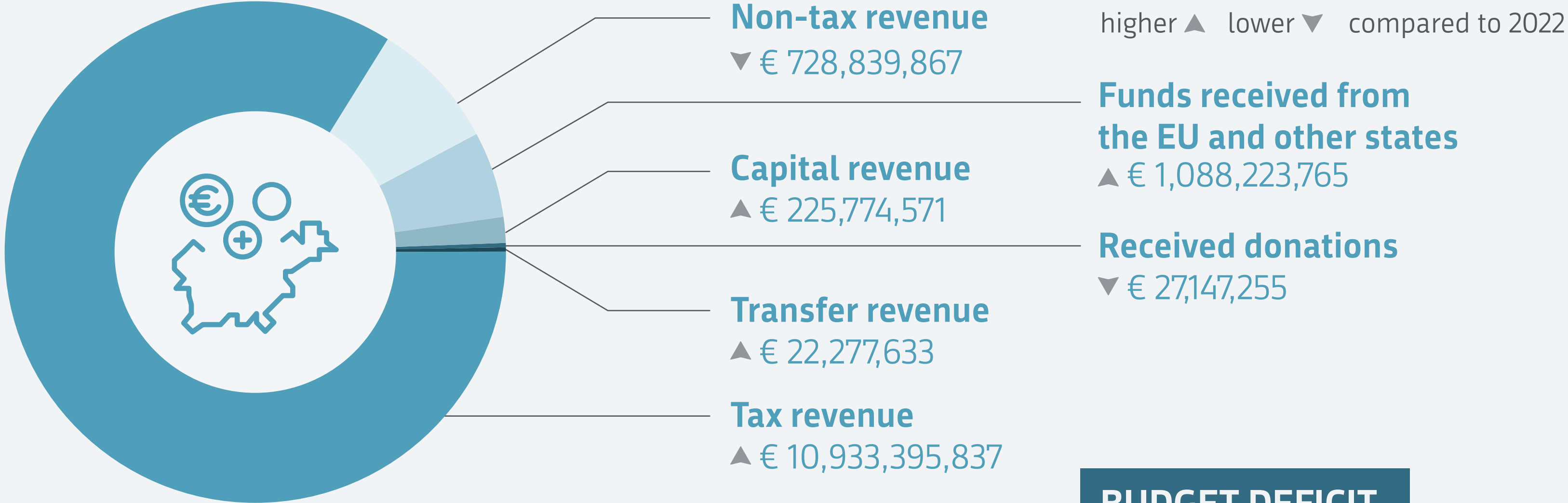
Implementation of the budget of the Republic of Slovenia 2023 (after the audit)

REVENUE

€ 13,025,658,928

+5.5%

compared to 2022



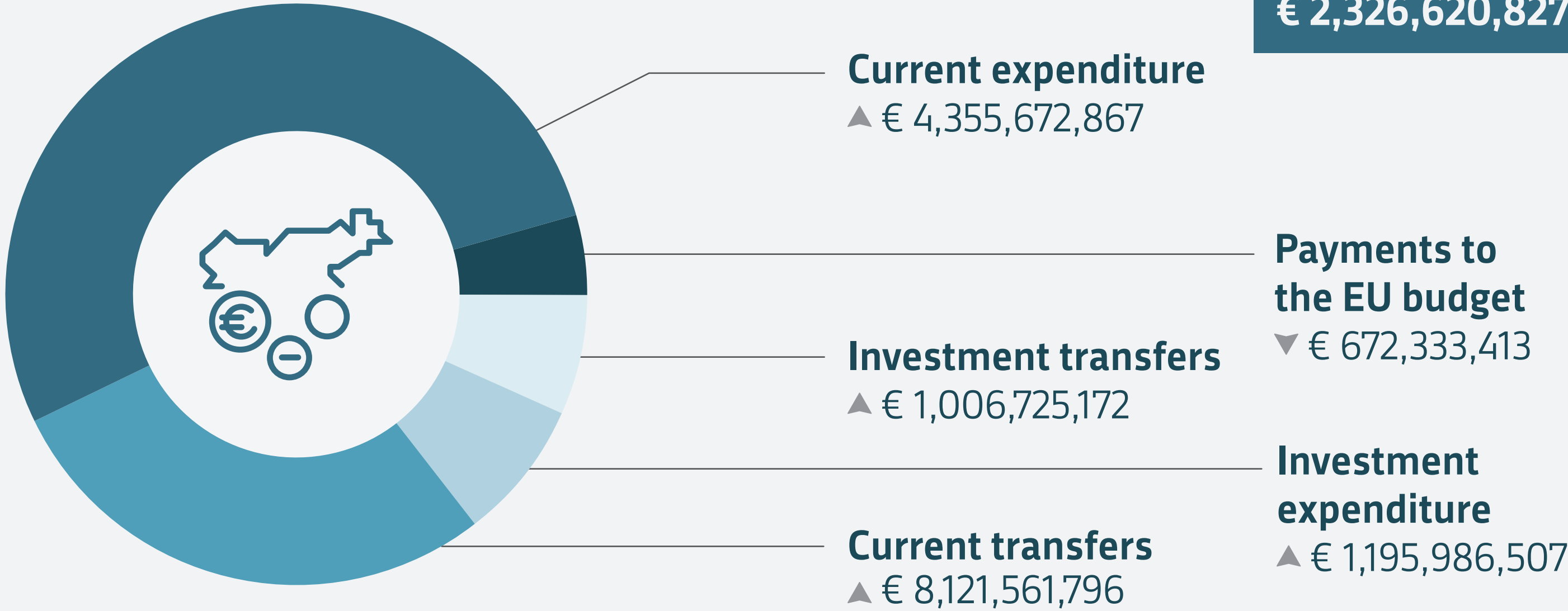
BUDGET DEFICIT
€ 2,326,620,827

EXPENDITURE

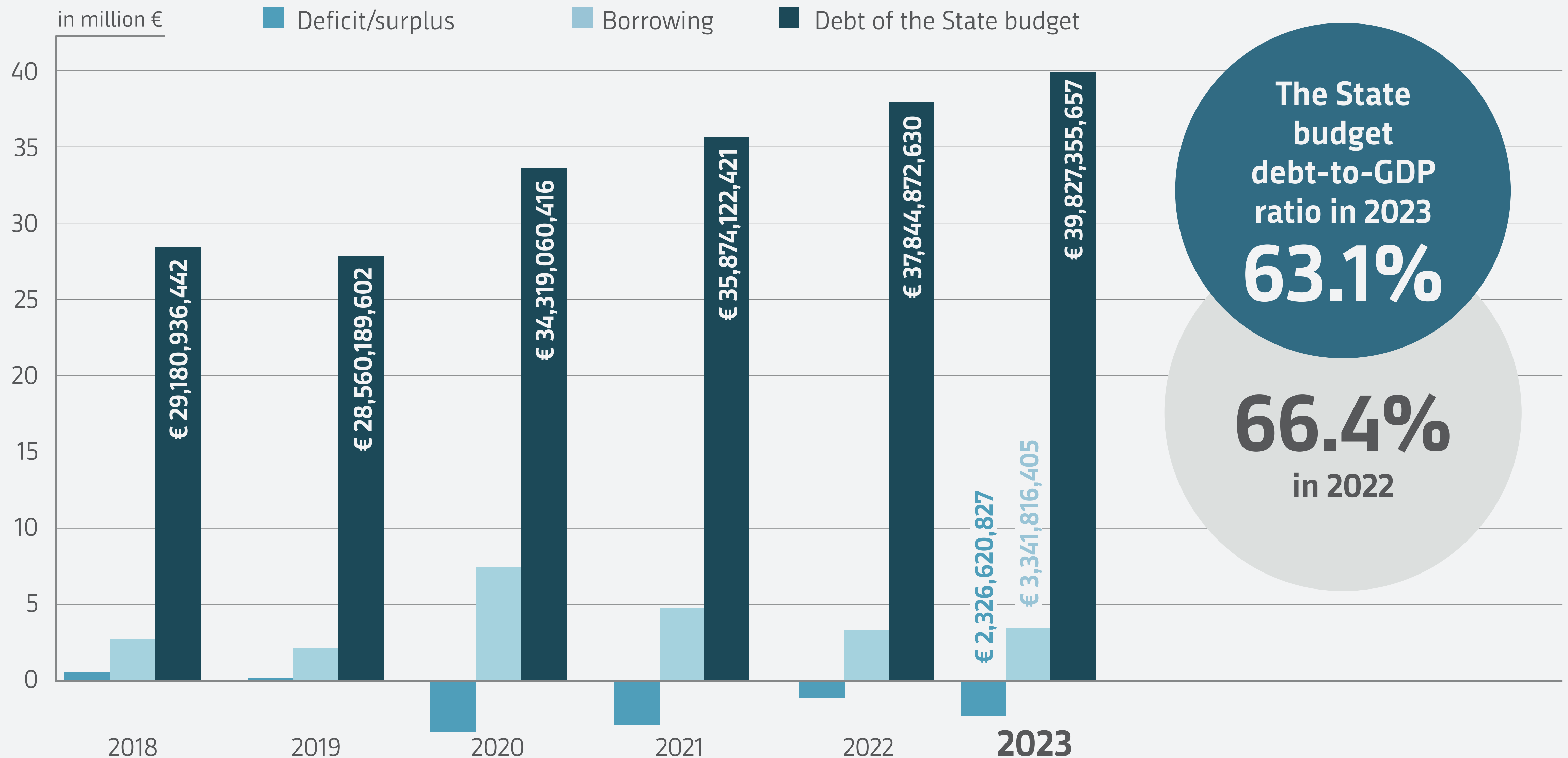
€ 15,352,279,755

+12%

compared to 2022

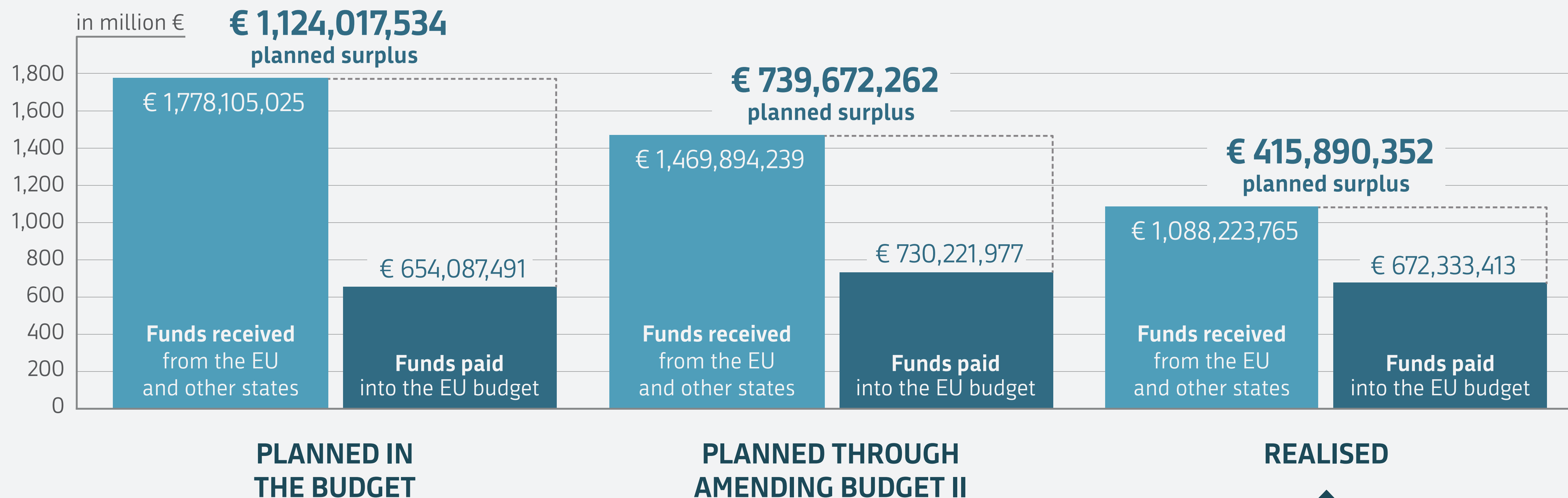


Deficit/surplus, borrowing and the debt of the State budget



Funds received from the EU and other states

– the difference between the planned and realised funds



Received from the EU and other states **38.8% less funds than planned in the budget** respectively **26% less funds than planned through amending budget.**



Paid into the EU budget **2.9% more** than planned in the budget respectively **7.9% less** than planned through amending budget.

Irregularities in the Revenue and Expenditure Statement



DUTIES OF WATER PERMIT HOLDERS

20 years after the legally prescribed time limit, **the Government has still not adopted a regulatory** or administrative provision to define detailed criteria laying down:

- **deadline, method and amount** for the payment of a water right
- **criteria for the reduction in the payment or for the exemption** therefrom for the cases whereby the water right is granted on the basis of a water permit



It was thus **not possible to calculate and charge** the statutory defined duty to the holders of water permits.



RENTS ON PHYSICAL ASSETS

The Ministries (Ministry of Solidarity-Based Future, Ministry of Health, Ministry of Education and Ministry of Culture) **acted contrary to Public Finance Act** because:

- **they failed to adequately supervise** public institutes
- **they failed to ensure the rents** on physical assets represented **the state budget revenue**

The budget revenue in 2023 **was thus realised in the amount:**

€ 6,303,063 less



RECONSTRUCTION FUND

The Ministry of Finance **operated contrary to Reconstruction, Development and Provision of Financial Resources Act**, since:

- **it failed to open a special account** within the budget and failed to provide for transfer of revenue as defined by Article 147 of the aforementioned act
- at the end of 2023, **funds remained on dedicated budget lines**

The budget expenditure related to the fund inflow was thus in 2023 realised in the amount:

€ 10,596,230 less

Irregularities and errors in the Revenue and Expenditure Statement



ASSETS ACQUIRED PURSUANT TO THE LAW

Funds arising from proceeds acquired in accordance with the Act Regulating the Use of Funds Arising from the Proceeds Based on the Ownership Transformation of Companies Act, earmarked for economy rehabilitation, promoting and granting export credit and for investments in public sector of the economy were **not collected in the specific account** of the ministry responsible for the economy, this being contrary to the respective Act.



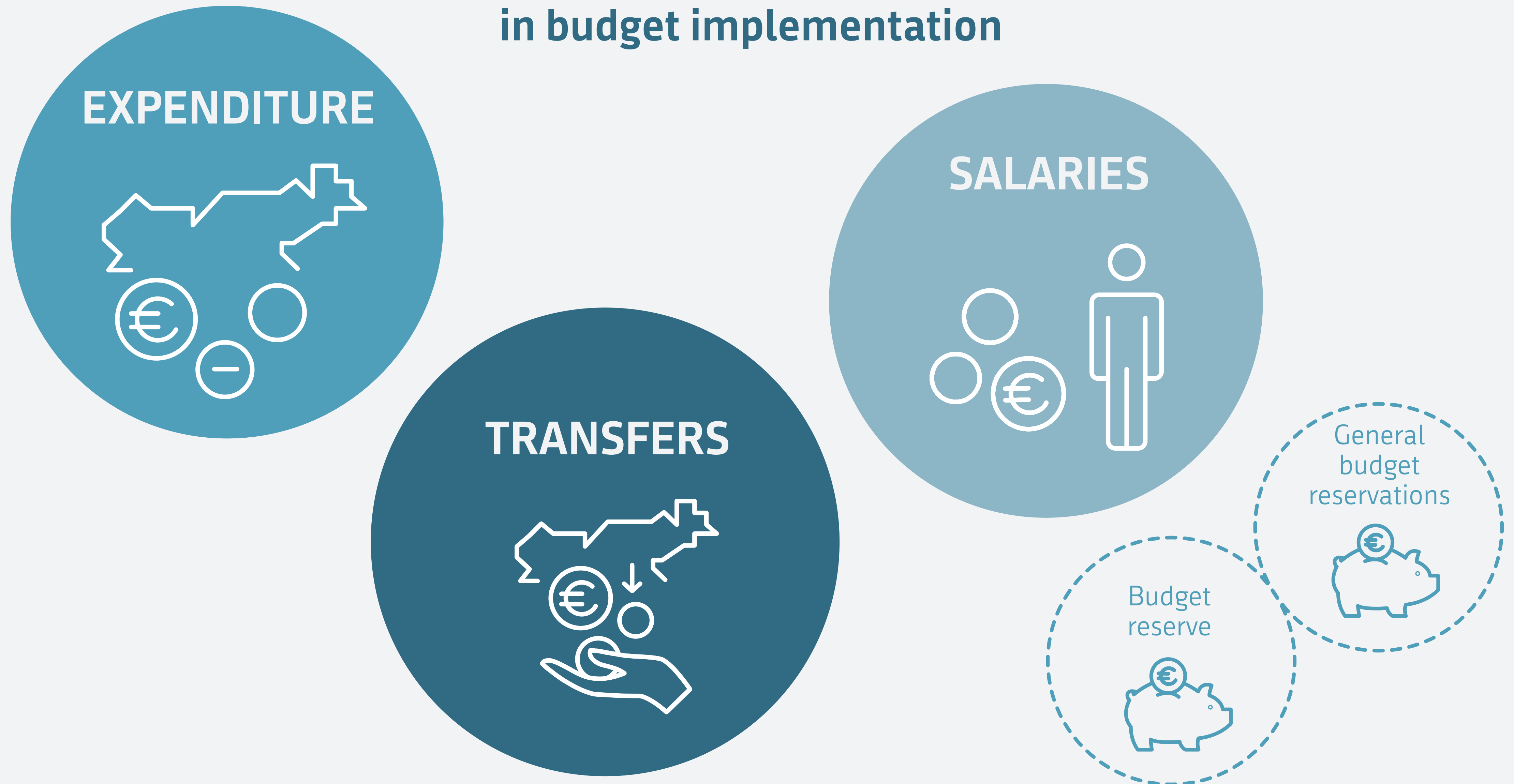
INCORRECT RECORDING

In 2022, Slovenian Sovereign Holding carried out the payment to HSE in the name and on behalf of the Republic of Slovenia of **subsequently paid-in capital** in the amount of € 492,000,000 what was **recorded as capital share increase in public companies and enterprises**.

In 2023, HSE repaid a part of the funds (€ 342,000,000) to the State.

The repayment of the funds to the budget **should not be presented as loan repayment**, but as repayment of subsequently paid-in capital.

Occurrence of irregularities in budget implementation



Irregularities in budget implementation



EXPENDITURE



irregularities **in the public procurement procedures** and non-compliance with the provisions of the Public Procurement Act:

- **incorrect procedure** of public procurement
- **direct payments** to sub-contractor were **not carried out**



non-compliance with the provisions of the Public Finance Act and other public finance rules, namely irregularities mostly related to:

- **the purchase of office building** for the needs of the jurisdictional authorities was **not well planned**, the building **did not meet minimum requirements** of energy efficiency
- the purchase of 10,000 laptop PCs **did not meet the principles of efficiency and economy**
- **the Government failed to adopt the rules** to arrange the mechanism and method of implementing the right to borrow computer equipment

Irregularities in budget implementation



TRANSFERS

- **non-compliance with the provisions of the Public Finance Act** and other public finance rules
- **insufficient control** of direct budget users over indirect budget users respectively **over the operations of legal entities**
- irregularities **in the procedures of allocating funds** to the beneficiaries
- irregularities **in assuming liabilities and non-compliance** with the provisions of the agreements



SALARIES

- **non-compliance with the provisions of the Employment Relationships Act** and other rules regulating the field of salaries
- irregularities **in the calculation and payment** of bonuses to salaries
- **non-compliance of tariff classes** between the regulation and the collective agreement

Irregularities in budget implementation



BUDGET RESERVE



Slovenian Infrastructure Agency was provided funds in the amount of **€ 6,000,000** from the budget reserve **for the recovery after storm damage**, from this amount at least **€ 3,059,764** **did not represent the assistance** for damage recovery in line with Protection against natural and other disasters act, since funds were intended for:

- implementation of regular tasks or
- implementation of tasks several months after the disaster which did not represent intervention in the event of emergencies.



GENERAL BUDGET RESERVATIONS



Funds from general budget reservations in the total amount of **€ 6,674,144** were allocated to the budget users **for purposes that could be planned**, from this amount **€ 6,500,000** **refers to the purchase of office building** for the needs of the jurisdictional authorities.

OPINION OF THE COURT OF AUDIT

GENERAL PART OF THE FINANCIAL STATEMENT

Qualified opinion

Except for the errors presented in the audit opinion, audited general part of the financial statement of the Republic of Slovenia for 2023 **correctly** and in line with the regulations **presents receipts and expenditures of the budget for 2023.**

The Court of Audit also proposed **recommendations to improve operations.**

REGULARITY OF BUDGET IMPLEMENTATION

Qualified opinion

Except for the impact of the irregularities presented on the regularity of operations, the Court of Audit considered that the Government respectively governmental budget users in all material aspects operated **in line with the regulations.**

The Court of Audit **demand a response report from the Ministry of Education** who failed to remedy irregularities.