**Summary of the audit report *Efficiency of the system of financing and operations of public agencies and funds***

The Court audited the efficiency of the system of financing and operations of public agencies and funds. The period covered by the audit refers to the years 2012 and 2013. The auditiees were *the Government of the Republic of Slovenia* exercising the rights and obligations on behalf of the Republic of Slovenia as the founder, and *eight ministries* responsible for exercising control over activities of public agencies and funds. Public agencies and funds were not auditees which gave rise to certain limitations during the audit and reporting on the established irregularities respectively inefficiencies.

The Court focused mainly on four areas, namely on the establishment of public agencies and funds, provision of funds for their operations, congruence of regulation on the use of funds and on the exercise of control over the operations of public agencies and funds, which the Court commonly defined as the system of financing and operations of public agencies and funds. It assessed that in the years 2012 and 2013 the existing manner of regulating the financing and operations of public agencies and funds *was mostly inefficient in terms of ensuring an efficient system of financing and operations*.

At the end of 2013, there were 15 public agencies and 8 public funds in the Republic of Slovenia founded by the State. However, due to continuous establishing of new and also merging, reorganising or abolishing individual public agencies and funds their number varied in the period covered by the audit and after it. It is also important to point out that their official name does not necessarily unambiguously indicate whether it is a public agency or a public fund, nor it is clear for certain entities which legal form of the organisation it should belong to.

Even though the two existing framework acts should regulate most common areas of operations of public agencies and funds, they, however, cannot be applied to certain public agencies and funds in full, whereby the exceptions were also introduced by several sectorial regulations.

Additionally, it found out that director employment contracts are not unified.

Lack of proper regulation of premises, equipment and initial capital of these entities, which should remain in the ownership of the Republic of Slovenia, is reflected also in recording such real estate in the land register and books of account of public agencies and funds as own assets or as facilities management.

Public agencies and funds are financed from various sources. Their revenue and expenditure accounts show that they generated total revenue of approx.. EUR 169 million, whereby they received almost EUR 60 million from the State budget. It should be noted that certain public agencies and public funds are mainly financed from the State budget, however, there are some that do not receive any. The legislation enables the founder to pass a decision to reorganize the fund as a company, if it did not receive financial resources from the founder's budget in the past three years of its operation and if it disposes of a capital in the amount of more than EUR 30 million. In view of the aforementioned, the Court pointed out certain risks related to such fund reorganization, as the companies emerged therefrom are considered to be under considerably lower control compared to the public fund.

The Court also examined the legal bases for the use of funds applicable to direct and indirect budget users. There are negligible differences in the field of public procurement while the legislation, especially in the field of employment, granting rights to employees and setting the amount of material costs of public agencies and funds, is vague and allows the public agencies and funds to impose restrictions on their own behalf. The Court is of the opinion that additional limitations would be necessary.

Even though the ministries should exercise control over public agencies and funds, it is, however, not exerted sufficiently, equally and consistently. The Government as the founder failed to draw up the guidelines for the unification of control.

Financial plans of public agencies and funds were often approved late, moreover, some were even not addressed by the Government as they were submitted only at the end of the year. Amendments to the budget implementation act aimed at unifying the manner of adopting such documents and at the same time excluding the Government from the concerned procedures, were not sufficiently substantiated and did not consider the differences in procedures applicable to individual indirect budget users.

At the end of 2013, public agencies disclosed surplus in the amount of almost EUR 10 million, and public funds in the amount of EUR 15 million. In the years 2012 and 2013 most of public agencies and funds produced excess of revenues over expenses. However, unanimous decisions on the use of surplus were not taken for all public agencies.

The Court requested from the Government to submit *a response report* in which it has to disclose the implementation of corrective measures for the elimination of inefficiencies, and provided the Government and the ministries with several *recommendations* for improving the efficiency of regulating the manner of financing and operations of public agencies and funds.

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