

Report about the results of the audit activities by the Supreme Audit Office of the Slovak republic in 2014

Introduction

In 2014, the SAO SR recorded significant awards for its work. In April 2014, the Slovak Chamber of Commerce and Industry awarded the SAO SR as the first non-business entity with the "Honorary Recognition of the Slovak Chamber of Commerce and Industry" for audit activities in the Slovak Republic and active involvement at the international level. In October of that year, the Office for Standardization, Metrology and Testing of the Slovak Republic, as the national coordinator of the External Feedback of the CAF model and the coordinator of the State quality policy in the Slovak Republic, awarded the SAO SR the title "The CAF model Effective User".

1 SAO SR audit activities 2014

1.1 Strategic focus and audit activities plan

In 2014, the SAO SR exercised its competence determined by the Slovak Republic Constitution and the SAO SR Act based on the annual activities plan derived on the updated Strategic Focus of Audit Activities for 2012-2014.

The SAO SR reassessed the strategic focus of audit areas and key themes for audit activities for 2012 – 2014 on:

- the Stability Program of the Slovak Republic for 2014-2017,
- the National Reform Program of the Slovak Republic 2014,
- the Action Plan of the National Reform Program of the Slovak Republic 2014, and
- Draft Public Administration Budget for 2014 – 2016.

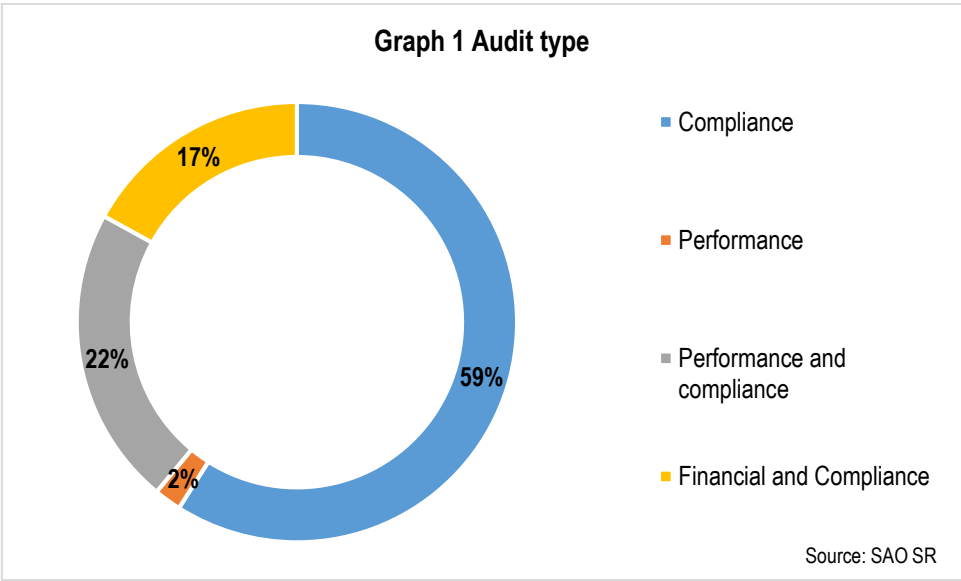
In the plan of audit activities for 2014 in order to support the solution of the most serious problems in citizens' lives, the SAO SR focused on the following areas and key topics of audit:

- **Audits resulting from the SAO SR Act**
 - Statement to the State Budget draft
 - Statement to the State Final Accounts
- **Fiscal consolidation**
- **Health**
- **Education, science and research**
- **State subsidy policy**
 - State aid
- **Transport**
- **Effective public administration**
 - Electronisation/digitalisation of public administration
 - Municipalities
 - Satisfied citizen
 - Municipality reform
- **Finance from abroad, EU funds and other financial tools;**
- **Control of fulfilment of measures adopted to eliminate the shortcomings detected by the previous audits.**

The SAO SR's audit plan for 2014 contained 52 audits and 556 audited entities. In some cases, the selection of audited entities was updated during the year. Based on the Parliament resolution 1354 from 24. 09. 2014, audit of financial management in the project "Completion of Units 3 and 4 of the Mochovce Nuclear Power Plant / EMO 34 / in the company Slovenské elektrárne, a. s. ", was a significant change in the annual audit plan.

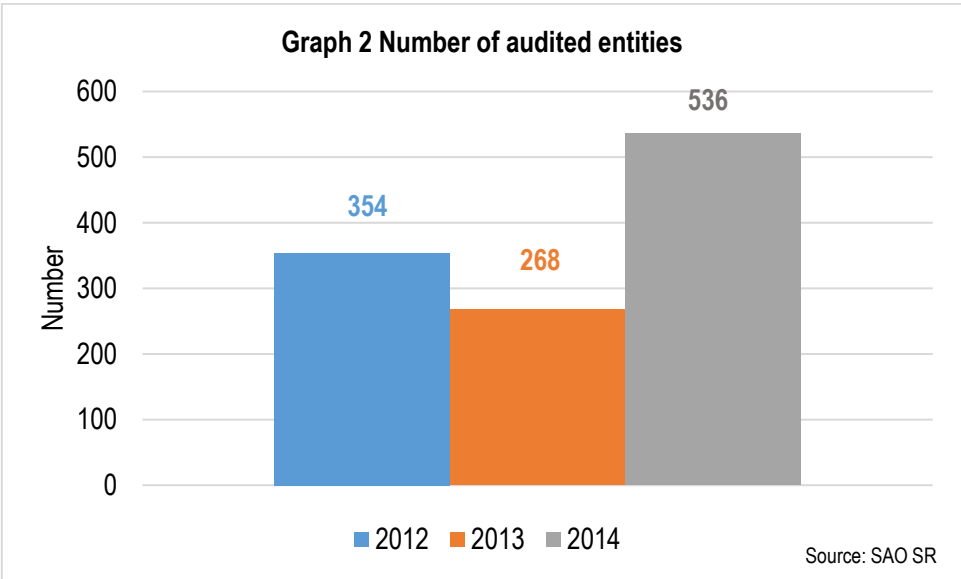
The audit methodology, in accordance with the relevant ISSAI international standards, implies the possibility to perform audit through one of three basic audit types (performance, compliance and financial) or a type of combined

audit. The share of individual audit types in the total number of actually performed audits in 2014 is in the graph below:

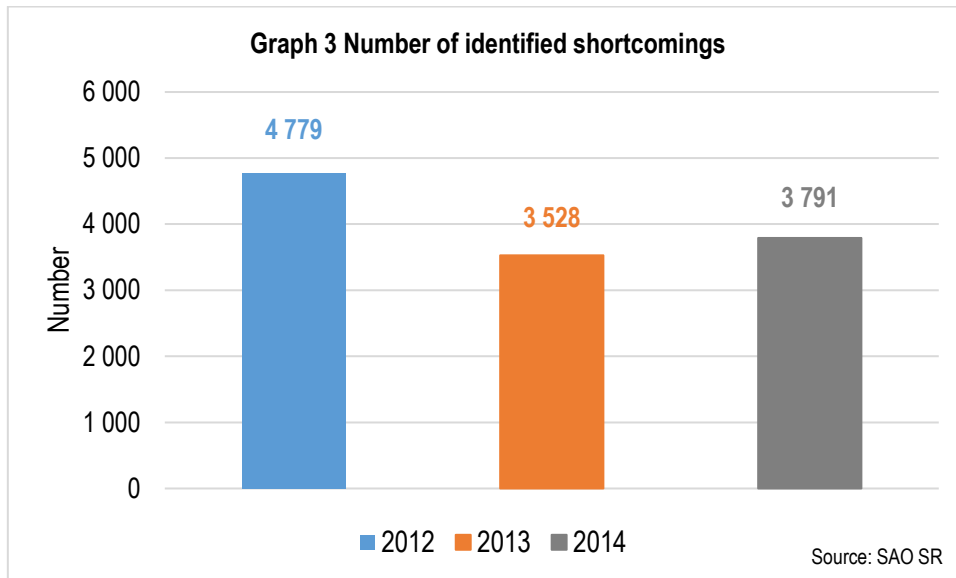


1.2 Audit activity results

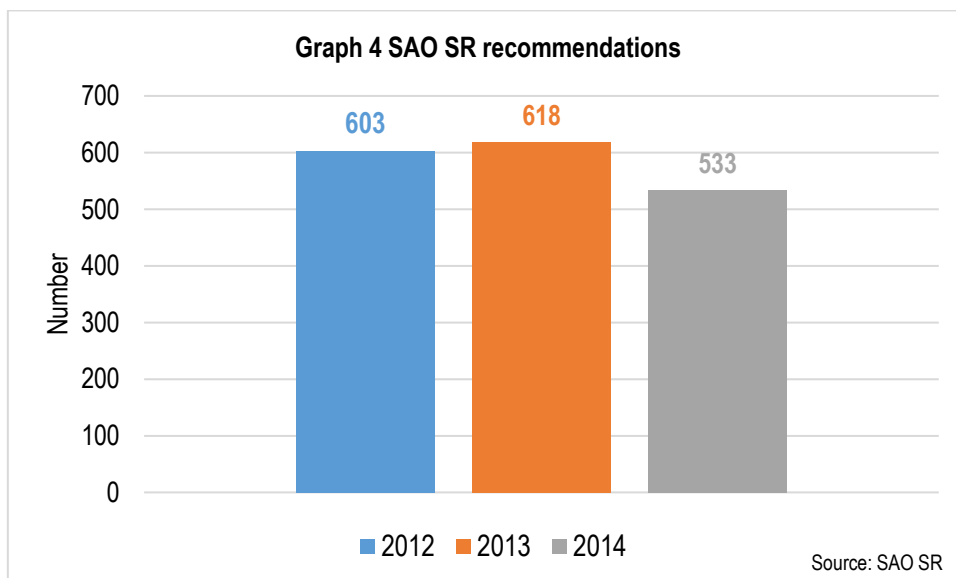
In 2014, in accordance with the updated plan of audit activities, the SAO SR performed 54 audits in 536 audited entities. Compared to the previous year 2013, this represented an increase by 268 audited entities. An overview of audits performed by the SAO SR is in the appendix. The comparison of the number of audited entities in 2012 to 2014 is in the graph below:



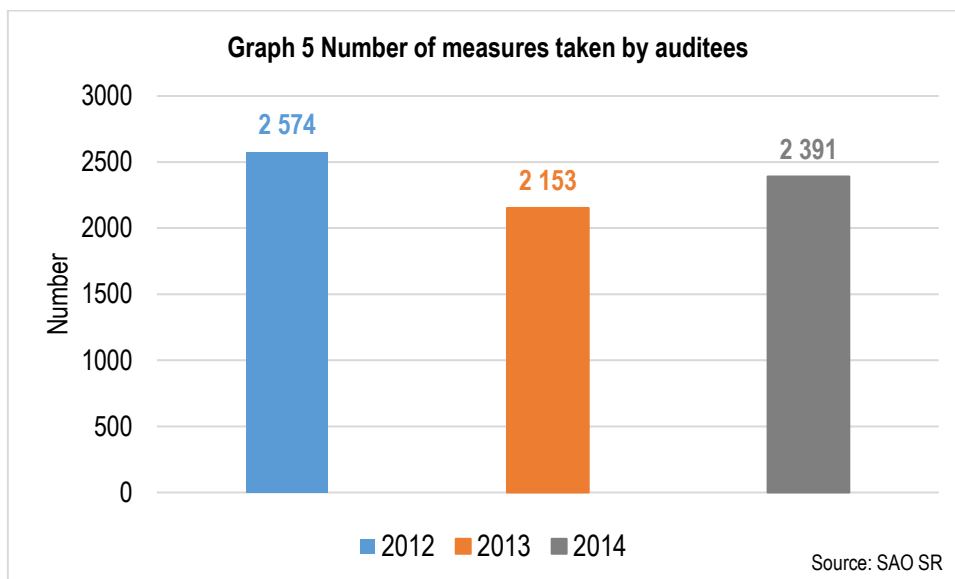
During the audits performed in 2014, the SAO SR found 3 791 shortcomings, which represented an increase by 263 identified shortcomings compared to 2013. The year-to-year comparison of the shortcomings identified in the SAO SR audits in 2012 to 2014 is in the graph below:



In order to address the identified shortcomings and improve the situation in the audited area in 2014, the **SAO SR submitted 533 recommendations** to the audited entities and stakeholders, which was by 85 recommendations less than in 2013. The year-to-year comparison of the recommendations submitted by the SAO SR to the audited entities and interested parties in 2012 to 2014 is in the graph below:



The auditees adopted 2 391 measures to eliminate the shortcomings identified by the auditors which was **238 measures more** than in 2013. Their fulfillment is continuously **monitored by the SAO SR**. The year-to-year comparison of the measures number taken by the auditees to eliminate the identified shortcomings in 2012 to 2014 are in the graph below:



1.2.10 Audit results implementation

The SAO SR implemented the results of its audits in accordance with the SAO SR Act. The report about the audit was discussed with the statutory representative of the auditee. A note about the discussion of the report was prepared; in it, the statutory body of the audited entity was asked **to submit to SAO SR** measures to eliminate the identified shortcomings and as well as a report about the status of the adopted measures implementation within the specified deadline.

In accordance with the SAO SR Act and other generally binding regulations, **the Office also fulfilled its notification obligation.** Office **reported the shortcomings** identified in the activities of Ministries and central State administration bodies **to the Prime Minister and the relevant Ministers.** In other cases, SAO SR also reported the shortcomings found during the audit **to the body that,** in connection with the activities of the auditee, **acts on behalf of the State, resp. on behalf of the municipality or local authority.** The SAO SR sent reports, resp. summary reports on the result of the audit to the relevant committee of the National Council of the Slovak Republic. **The SAO SR President informed other bodies about particularly important findings.**

In 2014, the SAO SR sent four criminal reports to organs active in criminal proceedings. Three criminal reports went to the prosecutor's office in connection with the audit of drawing funds provided to ensure flood risk reduction for selected areas within the Program of Landscape Revitalization and Integrated River Basin Management of the Slovak Republic performed at the Office of Government of the Slovak Republic, in municipalities of Čamovce and Veľký Folkmar and Jaklovce. One criminal report went to the prosecutor's office in connection with the control of financial management and disposal of property in State administration and territorial self-government entities carried out in the municipality of Vyšný Mirošov.

In 16 cases, the SAO SR was asked by the organs active in criminal proceedings to cooperate by sending the required information, a report on the audit result or information concerning the received suggestions and complaints. Of these, the prosecutor's office requested co-operation in four cases and the Police force in 12 cases. In eight cases, **the SAO SR** sent the required information, a report on the audit result or a summary report about the audit result, and in eight cases, it sent a notification about the non-availability of the required information.

In 12 cases, the SAO SR sent a notification to the relevant financial administration a report about a breach of financial discipline pursuant to the Act on Budgetary Rules of Public Administration. Of these, in two cases the relevant financial administration has already issued a decision in the matter. In addition to the above-mentioned cases, **the SAO SR** sent a notification of a breach of financial discipline in one case to the relevant local government and in four cases to the relevant cities as founders, of which in one case also the Ministry of Finance SR.

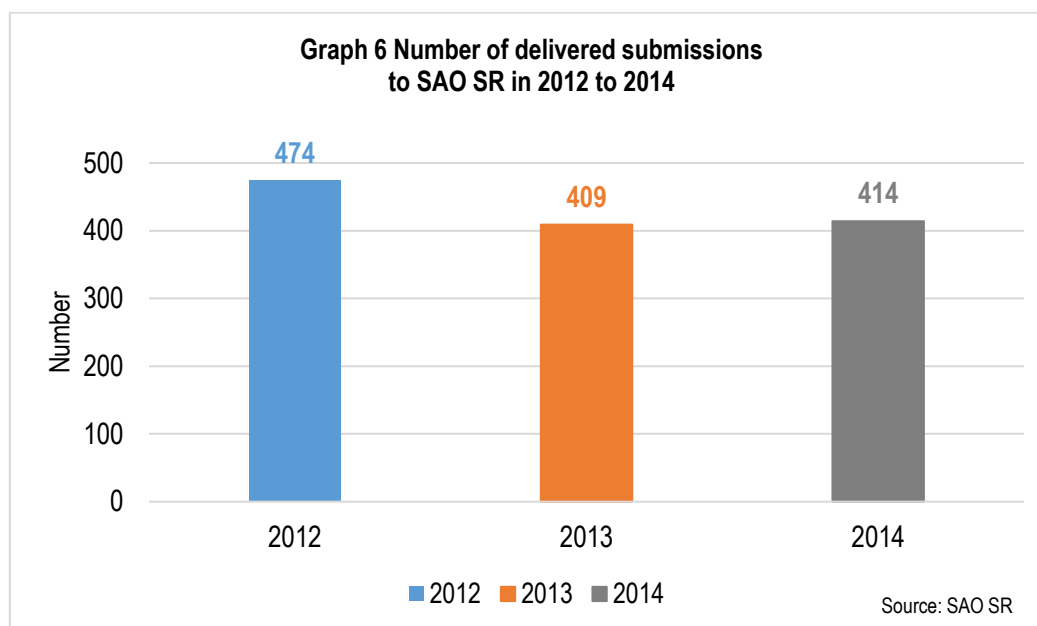
In seven cases, the SAO SR sent a notice of violation of the Public Procurement Act to the Public Procurement Office. In three cases, the Antimonopoly Office of the Slovak Republic was notified about suspicion of collusive behavior by participants. In four cases, SAO SR sent to the Financial Administration SR a suspicion of the possibility of non-fulfillment of the tax obligation, violation of the Accounting Act, resp. submission to perform an audit. **SAO SR notified the relevant Labour Inspectorate about a conclusion of a cooperation agreement with a natural person - a non-entrepreneur.**

In order to improve audit activities in the area of public procurement, the SAO SR concluded an agreement on cooperation with the Public Procurement Office (PPO) in 2014. The agreement declared that the **SAO SR would provide the findings about the violations of the Public Procurement Act obtained during the audit activity to PPO**. At the same time, both offices will coordinate the process of audit planning.

On 19 November 2014, a working meeting of representatives of the Prosecutor General of the Slovak Republic (PG SR), the SAO SR and the National Criminal Agency took place at the GP SR Office. The outcome of the working meeting was an agreement on the signing a memorandum of cooperation between the GP SR, the Presidium of the Police Force and the SAO SR. The memorandum intended to provide a new approach and way of exchanging findings, benchmarking, improving coordination and strengthening communication at central and regional level.

2.5 Administration of submissions by legal and natural entities

In 2014, the SAO SR registered **420 submissions** by natural persons and legal entities, an **increase by 11 submissions** compared to 2013. An overview of the number of submissions by natural persons and legal entities in 2012 to 2014 is the graph below:



Two hundred seventy-five (65.5%) fell within the SAO SR audit competence, 142 submissions (33.8%) did not fall within the SAO SR competence, and three submissions (0.7%) were incomprehensible. Of the submissions falling within the SAO SR audit competence, the majority pointed to uneconomical use of funds and property (180 submissions), 55 submissions pointed to violations of generally binding legal regulations, 26 submissions to public procurement issues and 14 submissions to uneconomical use of European Union funds.

The relevant SAO SR professional departments **analysed each submission falling within their competence** according to the internal regulation on the receipt, registration, investigation and handling of complaints, petitions and other submissions. The information obtained was used in the selection of auditees for the audit activity plan and specification of the audit themes. Based on the suggestions, the **SAO SR performed 42 audits** in 2014. The evaluation of the audit results showed that 14 submissions (33.3%) were justified, 21 submissions (50.0%) were partially justified and seven submissions (16.7%) were unfounded.

Two hundred and three submissions were from the area of territorial self-government representing 74% of submissions falling within the SAO SR competence. Most submissions were directed against municipalities (141 submissions) and cities (30 submissions). Four submissions were directed against self-governing regions, and 28 were directed against legal entities in the founding area or with the ownership participation of territorial self-government entities.

Complaints against municipalities most often pointed to shortcomings occurring in the activities of the whole municipality and its bodies - the mayor and the municipal council, as well as a non-functional internal control system represented by the municipality chief comptroller. Submissions often pointed to the municipality mayor does not respect the position of the municipal council and its powers established by the Act on Municipal Establishment, so

it was not an exception the initiatives to perform an audit were submitted by the municipal council members. Another frequent phenomenon occurring in the initiatives to perform an audit by the SAO SR was the issue of mandatory disclosure of contracts, orders and invoices under Act 211/2000 Coll. on Free Access to Information.

In terms of territorial division, most submissions concerned municipalities and cities in the Prešov self-governing region (46 submissions) and in the Košice self-governing region (39 submissions). They were followed by Žilina self-governing region (26 submissions), Nitra self-governing region (23 submissions), Banská Bystrica self-governing region (22 submissions), Bratislava self-governing region (18 submissions), Trnava self-governing region (16 submissions) and Trenčín self-governing region (13 submissions). Fifty-four submissions were directed against Ministries, other central State administration bodies and other public administration entities. These submissions related to the areas are below:

| | |
|--|----|
| uneconomical management of the finance | 28 |
| public procurement | 11 |
| violation of other generally binding legal regulations | 10 |
| uneconomical use of EU funds | 5 |
| total | 54 |

The submissions that did not fall within the SAO SR audit competence, most often, as in 2013, were consumer complaints concerning energy suppliers or mobile operators, submissions expressing dissatisfaction with the activities of the apartment building administrator, as well as submissions concerning vague ownership relations. Another group were submissions concerning the decision-making by Courts, proceedings of administrative bodies and organs active in criminal proceedings, as well as requests from persons serving a custodial sentence to investigate their case. Many submissions and complaints also pointed to employers' non-compliance with generally binding legislation in employment relations.