

SUPREME AUDIT OFFICE OF THE SLOVAK REPUBLIC



STRATEGIC AREAS OF AUDIT ACTIVITIES OF THE SAO SR IN 2018 - 2020 *(update, March 2018)*

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LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
BIEP	Benchmarking Information Exchange Project
CKO	Central Coordination Organ (<i>Centrálny koordináčny organ</i>)
COFOG	Classification of the public administration expenditure (<i>Klasifikácia výdavkov verejnej správy</i>)
ČR	Czech Republic (<i>Česká republika</i>)
DESI	Digital Economy and Society Index
DPH	VAT (<i>daň z pridanej hodnoty</i>)
DRG	Diagnoses Related Groups
EBRD	European Bank for Reconstruction and Development
EEA	European Environment Agency
EK, EC	European Commission (<i>Európska komisia</i>)
EPI	Environmental Performance Index
ESO	Effective, reliable and open public administration (<i>Efektívna, spoľahlivá a otvorená verejná správa</i>)
EÚ	European Union
HDP	Gross domestic product GDP (<i>hrubý domáci product</i>)
IFP	Institute of Financial Policy (<i>Inštitút finančnej politiky</i>)
IKT	Information communication technologies (<i>Informačno-komunikačné technológie</i>)
INCOSAI	INTOSAI Congress
INFOSTAT	Institute of informatics and statistics (<i>Inštitút informatiky a štatistiky</i>)
INTOSAI	International Organization of Supreme Audit Institutions
IT	Information technologies
ISSAI	International Standards for Supreme Audit Institutions
KEA	Club of economy annalists (<i>Klub ekonomických analytikov</i>)
KVET	combined production of electricity and heat (<i>kombinovaná výroba elektrickej energie a tepla</i>)
KŽP	Environment quality (<i>Kvalita životného prostredia</i>)
LPI	Legatum Prosperity Index
MDV SR	Ministry of Transport and Development of the SR (<i>Ministerstvo dopravy a výstavby SR</i>)
MF SR	Ministry of Finance SR (<i>Ministerstvo financií Slovenskej republiky</i>)
MH SR	Ministry of Economy SR (<i>Ministerstvo hospodárstva Slovenskej republiky</i>)
mil.	Million (<i>milión</i>)
MMF	International Monetary Fund (<i>Medzinárodný menový fond</i>)
MO SR	Ministry of Defence SR (<i>Ministerstvo obrany Slovenskej republiky</i>)
MPRV SR	Ministry of Agriculture and Rural Development SR (<i>Ministerstvo pôdohospodárstva a rozvoja vidieka Slovenskej republiky</i>)
MPSVR SR	Ministry of Labour, Social Affairs and Family SR (<i>Ministerstvo práce, sociálnych vecí a rodiny Slovenskej republiky</i>)
MŠVVŠ SR	Ministry of Education, Science, Research and Sports SR (<i>Ministerstvo školstva, vedy, výskumu a športu Slovenskej republiky</i>)
MV SR	Ministry of Interior SR (<i>Ministerstvo vnútra Slovenskej republiky</i>)
MZ SR	Ministry of Health SR (<i>Ministerstvo zdravotníctva Slovenskej republiky</i>)
MZVaEZ SR	Ministry of Foreign Affairs and EU Affairs SR (<i>Ministerstvo zahraničných vecí a európskych záležitostí Slovenskej republiky</i>)
MŽP SR	Ministry of Environment SR (<i>Ministerstvo životného prostredia Slovenskej republiky</i>)

NATO	North Atlantic Treaty Organization
NCZI	National Centre of Health Information (<i>Národné centrum zdravotníckych informácií</i>)
NKI	Supreme audit institutions (<i>najvyššie kontrolné inštitúcie</i>)
NKÚ SR	Supreme Audit Office of the Slovak Republic (<i>Najvyšší kontrolný úrad Slovenskej republiky</i>)
NPR	National Programme of Reforms (<i>Národný program reforiem</i>)
NR SR	National Council of the Slovak Republic (<i>Národná rada Slovenskej republiky</i>)
NSRR	National Strategic Reference Framework (<i>Národný strategický referenčný rámec</i>)
OBSE	Organization for Security and Co-operation in Europe (OSCE)
obyv.	Inhabitants
OECD	The Organisation for Economic Co-operation and Development
OP	Operational Programme (<i>operačný program</i>)
OPIS	Operational Programme for Informatisation of the Society (<i>Operačný program informatizácia spoločnosti</i>)
OSN	United Nations (<i>Organizácia spojených národov</i>)
OZE	renewable energy source (<i>obnoviteľný zdroj energie</i>)
p.b.	Percentual point (percent) (<i>percentuálny bod</i>)
PESCO	Permanent Structured Cooperation
PISA	Programme for International Student Assessment
PVV	Government Programme Statement (<i>Programové vyhlásenie vlády</i>)
RIS3	Research and Innovation for Smart Specialization Strategy (<i>Stratégia výskumu a inovácií pre inteligentnú špecializáciu</i>)
RRZ	Budget Accountability Board (<i>Rada pre rozpočtovú zodpovednosť</i>)
SARIO	Slovak Agency for Investment and Trade Development (<i>Slovenská agentúra pre rozvoj investícií a obchodu</i>)
SAV	Slovak Science Academy (<i>Slovenská akadémia vied</i>)
SKSR	Builders' Chamber SR (<i>Stavebná komora Slovenskej republiky</i>)
SR	Slovak Republic (<i>Slovenská republika</i>)
ŠR	State Budget (<i>štátny rozpočet</i>)
SVLZ	common examination and investigative therapeutic components (<i>spoločné vyšetrovacie a liečebné zložky</i>)
ŠZM	Special medical supplies (<i>špeciálny zdravotnícky materiál</i>)
tis.	Thousand (<i>tisíc</i>)
ÚHP	Value for money unit (<i>Útvar hodnoty za peniaze</i>)
UNDP	United Nations Development Programme
ÚPVII SR	Office of the Deputy Prime Minister for Investment and Informatisation (<i>Úrad podpredsedu vlády SR pre investície a informatizáciu</i>)
ÚPSVaR	Headquarters for Labour, Social Affairs and Family (<i>Ústredie práce, sociálnych vecí a rodiny</i>)
ÚV SR	Office of the Government SR (<i>Úrad vlády Slovenskej republiky</i>)
V4	Vysegrad Four (<i>Vyšehradská štvorka</i>)
V3	Czech Republic, Hungary, Poland <i>Česká republika, Maďarsko, Poľsko</i>
VÚC	Higher territorial units (<i>vyšší územný celok</i>)
VZPS	Selective Labour Force Survey (<i>Výberové zisťovanie pracovných síl</i>)
WB	World Bank
WHO	World Health Organisation
WGI	Worldwide Governance Indicators
ZMOS	Association of Towns and Municipalities of Slovakia (<i>Združenie miest a obcí Slovenska</i>)

FOREWORD

The submitted material represents the focal strategic areas of the Supreme Audit Office of the Slovak Republic (SAO SR) auditing activities for 2018 - 2020. In accordance with the statutory status and competencies of the Office, the SAO SR will continue to provide objective and independent information on how economically, efficiently and effectively public administrations use public resources to achieve public policy goals and whether the resources used ensure sustainability in all its aspects.

In fulfilling these basic tasks and objectives, besides the application of internal rules and international control standards, the SAO SR will also take into account the ideas of the "Value for Money in Slovak Policy" initiative. To this initiative, SAO SR signed up in 2016 and expressed its intention to focus on the subsequent evaluation of the most important activities of the State in terms of results and benefits for the citizens.

Following this objective, the selection of strategic areas of SAO Audit Activity for the next three years takes into account the objectives of national and international strategies with a key impact on the form and content of the public decisions taken in Slovakia, as well as the problems and weaknesses of Slovakia which have highlighted important national or international institutions.

This process identified the following ten strategic areas: Education, Research, Development and Innovation, Effective and Transparent Public Administration, Health, Employment and Entrepreneurial Environment, Sustainable Consumption and Production, Energy Efficiency and Environmental Sustainability, Sustainable Public Finance and Fiscal Policy, Social Policies, Transport Infrastructure and Information and Communication Technologies (ICT), Defence and Security, and European Investment and Structural Funds (hereinafter Euro funds). Each strategic area also influences the overall sustainability of public finances.

The SAO SR will focus primarily on the selection of the themes in these areas when planning the performance of the audit activity on a yearly basis, thus fulfilling the tasks of the national authority for monitoring public policy objectives and problems of their implementation from a national perspective as well as from the point of view of meeting international commitments and recommendations.

Objective assessment on how public finances are efficiently, effectively and efficiently used to achieve the objectives of individual policies requires that the audit activities of the SAO SR not only use classical audit procedures to assess the compliance of resource use with statutory conditions, but also financial and performance controls and checks. More emphasis on performance audits is now given by majority of the EU SAIs. The SAO SR has all the conditions and prerequisites for assessing the audit activity and, if possible, compare internationally the efficiency and effectiveness of the management of public resources.

In this context, it should be emphasized that all public spending is related to the overall sustainability of public finances and therefore it is necessary to assess whether they have been effectively spent.

In terms of structure, the document is divided into five main chapters. The first chapter describes in detail the objectives of the audit activity of the SAO SR. The second chapter describes the approach chosen for the selection of strategic areas for the focus of audit activity. The criteria for determining the significance of these areas are the third chapter. In the fourth chapter and its individual subchapters, there are selected strategic areas of audit activity describing the main problems and recommendations for audits. For its importance, Euro funds has devoted a separate chapter, as these are the key instrument for financing public policies in Slovakia. The final part of the material contains recommendations and conclusions for selection of specific topics and types of audits.

By designing and practical audits following the focus of the audit activity for the following years, SAO SR has the ambition to represent the respected national audit authority, which will significantly contribute to the improvement of citizens' quality of life and the quality of public affairs management.

1. THE AUDIT ACTIVITIES GOALS

The Supreme Audit Office of the Slovak Republic (SAO SR) is an independent State body with position defined by the Constitution of the Slovak Republic and Act 39/1993 Coll. on the Supreme Audit Office of the Slovak Republic. Its primary task is to audit the management of public budgets and property in the public administration entities of the Slovak Republic.

The strategic starting point for the audit activity of the SAO SR for the years 2018 - 2020 is its mission, i.e. provide objective and independent information from audit activities to State authorities, professionals and citizens of the Slovak Republic (SR). The SAO SR intends to assist in the correct and efficient use of public funds and assets both in the field of economy as well as in State administration, self-Government and public institutions, as well as proposing recommendations to contribute to the improvement of the public resources and quality of society management.

The SAO of the Slovak Republic has the ambition to fulfil the following objectives when carrying out control activities in strategic areas:

- ✓ Be a respected national authority for evaluating public policies implemented;
- ✓ Be a key subject of a State that provides a fair picture and objective assessment of public policy makers - public administration entities in terms of financial situation, compliance with the applicable frameworks in the implementation of financial operations and financial reporting procedures;
- ✓ Provide follow-up analyses of the economy, efficiency and effectiveness of the practices of public bodies and public authorities in achieving their goals.

The SAO of the Slovak Republic joined the initiative "Best of the Worlds - Value for Money in Slovak Public Policy" in 2016 [1]. This initiative is implemented by the Ministry of Finance of the Slovak Republic and pursues objectives that are in line with the objectives of the SAO SR.

The essence of the concept of "value for money" is to assess the most important State activities - operating expenditure, investments, policies and regulation - both preliminarily (in the preparation phase) and subsequently (after implementation). Preliminary analyses should be entrusted to the executives who have the power and responsibility to make public decisions. Subsequent evaluation of their effectiveness, efficiency and effectiveness should be a role for the management of an independent institution within the meaning of this project. In Slovakia, the evaluation of public decisions with a time lag, when their results are known, is the most appropriate in view of its legislative status, namely the SAO SR.

Following the objectives of the audit activity and interest to support the "Value for Money" initiative in Slovak policy, the SAO's medium-term intention is to focus on ex-post evaluation of public decisions in terms of costs, results and benefits for the citizens of the country.

The audits and evaluation of public policies and sub-areas in strategic areas will be implemented through the application of international control standards from the planning process to audit activities and the preparation of audits, through the choice of good audit procedures by type of controls, the selection of objectives and evaluation methods to the implementation phase and the interpretation of the results for the audit recipients and beneficiaries.

2. SELECTION OF STRATEGIC AREAS FOR AUDIT ACTIVITIES

The selection of strategic areas for the audit activity of the SAO SR for 2018 - 2020 is based on the national strategic documents, mainly from the national reform programmes of the Slovak Republic. On the basis of the national strategic documents of the Slovak Republic, a set of strategic areas, which represent areas of national priorities, emerged.

The national strategy papers also take into account national problems and risks identified on the recommendations by international institutions (EU Council, European Commission, and OECD). On the basis of these, the Government of the SR defines its objectives in the strategic top-level and sectorial programmes. The Government also adopts decisions to address these issues, defining financial allocations and determining the responsibility of public administrations to implement the decisions.

Selection of strategic areas of audit activity, or content priorities are also based on identifying those areas of public life where the greatest problems and risks are in terms of the results achieved.

In order to be able to fulfil the potential of the national audit authority in the coming years, the SAO SR must provide a fair, objective and independent view and provide expert advice. Content will be based on the following aspects:

- ✓ Design the focus of audit activity onto areas that are not only relevant for the current but also for the future social development of their content and thus significantly influence the quality of life in the country;
- ✓ Design the focus of audit activities onto areas, policies and entities in which uneconomic, inefficient and ineffective use of the financial allocation has an impact on the achievement of the objectives and can have a significant impact on the development and sustainability of public finances;
- ✓ Focus audit activities on those areas in which Slovakia lags behind in international comparisons and in meeting the set objectives, which has a significant impact on the future but also the current competitiveness of the country, and their insufficient performance can have an impact on economic growth and employment.

3. CRITERIA FOR DEFINITION OF THE SIGNIFICANCE OF STRATEGIC AREAS FOR AUDIT ACTIVITY

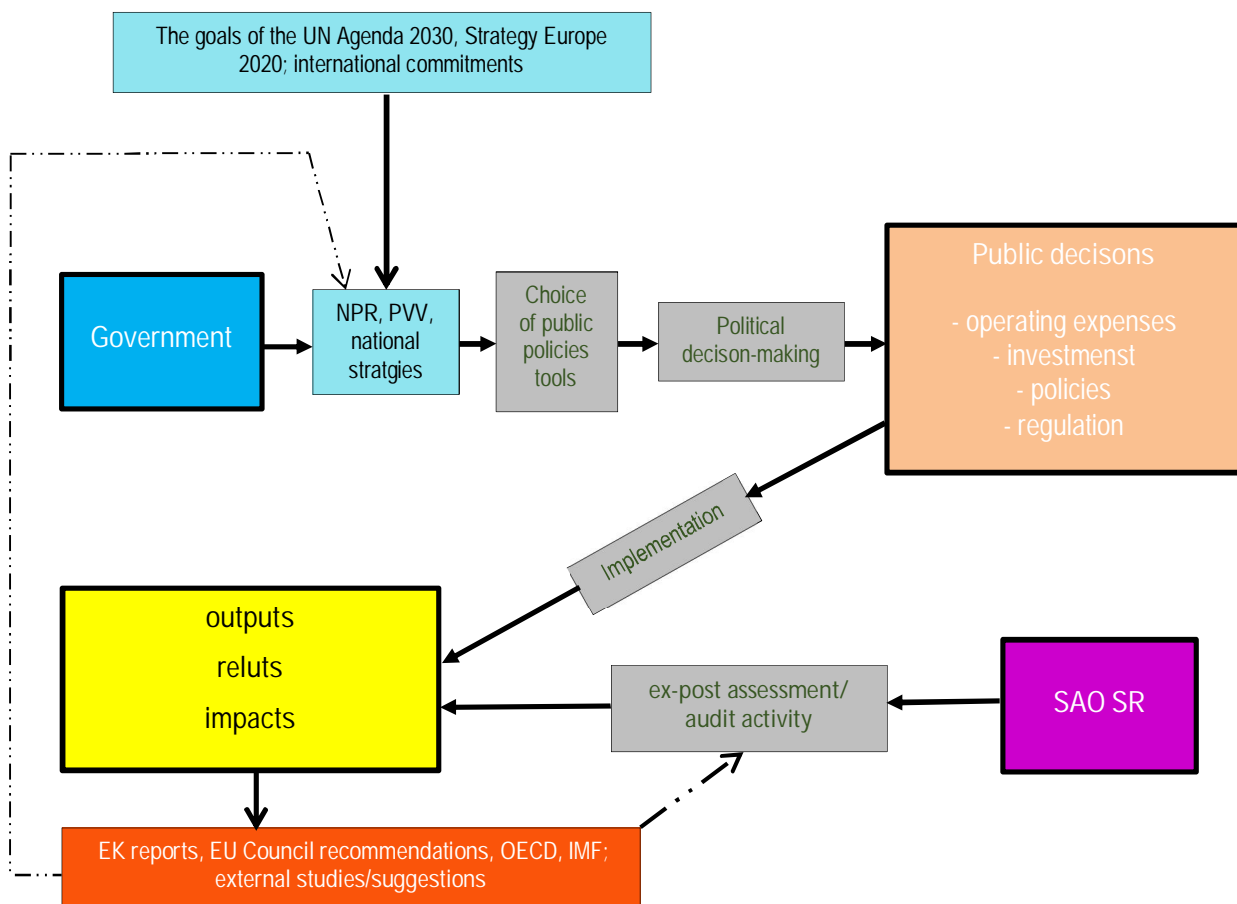
The designation of strategic areas for audit activity for 2018-2020 took place in accordance with international guidelines and standards for strategic planning by national audit institutions.

The INTOSAI Handbook on the Implementation of ISSAI Performance Audit Standards ^[2] mentions as the first aspect of selecting an area to check its materiality. It determines whether the area is strategically important for the Government, the public, audited entity (national priorities) and when it can be considered critical. Therefore, their significance was also determined for each strategic area based on national strategy papers.

The importance of focus areas of audit activity over the medium term is based on the evaluation of strategic documents. Audit activity as a dynamic element in the management system will also be affected by the current social problems that are part of the international and domestic development of the Slovak Republic, to which the SAI will respond.

In determining the significance of strategic areas, the SAO SR primarily focused on strategic documents important for the current direction of SR (picture 1)

Picture 1 The status of the SAO SR in the process of creation and subsequent evaluation of public decisions



The determination of the strategic areas significance for the audit activity of the SAO SR for 2018 - 2020 is based on the search for national priorities in the European and global strategies important for the Slovak Republic and which, in order to improve the life of Slovak citizens, the SR has committed to fulfil.

The methodological procedure for determining the strategic areas significance for the focus of audit activity is based on **criteria** that show the importance of individual areas:

1. global, European and national goals;
2. national challenges based on recommendations by the national and international institutions,
3. risks according to standards.

The procedure used to determine the strategic areas significance is shown in Picture 2. More detailed justification for selecting each of the criteria used is given below.

Picture 2 Criteria to determine the strategic areas significance



1. Global, European and national goals

The first criterion represents the objectives that the SR has committed to fulfil, respectively to which it reports. The significance of the area is shaped by the penetration of the priorities listed in the following strategic documents for the Slovak Republic:

- UN Agenda 2030 for sustainable development ^[3],
- Strategy Europe 2020 ^[4],
- Government Programme Statement 2016 ^[5] (PVV),
- National Programme of Reforms 2016 ^[6] and 2017 ^[7] (NPR).

UN agenda 2030 sets out 17 global objectives to which INTOSAI has subscribed at the INCOSAI International Congress within the topic "How can INTOSAI contribute to UN agenda 2030, including good governance and strengthening the fight against corruption?"

Representatives of INTOSAI have invited the SAIs to contribute to successful implementation and monitoring of the achievement of the Agenda objectives ^[8]. They recommended focusing on executing the performance audits that examine the economy, effectiveness and efficiency of key Government programmes that contribute to the fulfilment of the specific goals of the UN agenda. The fulfilment of the objectives of this agenda in the Slovak Republic was monitored by the Statistical Office of the Slovak Republic in its publication published at the end of last year ^[9]. The publication is the first comprehensive statistical view on the fulfilment of the sustainable development goals in the Slovak Republic.

The Europe 2020 document, endorsed by the European Council in June 2010, contains 5 headline targets on employment, research and development, climate change and energy sustainability, education, the fight against poverty and social exclusion. All EU Member States have adopted their own national targets in each of these themes. Specific public decisions at national level support the implementation of this strategy.

The national strategy papers (PVV and NRP) identify the objectives and measures to which the SR has committed itself. SAO SR primarily took into account the tasks listed in the National Reform Programme Action Plans and the main objectives of the Government's Programme Statement.

The significance of the area is determined by the occurrence of closely related priorities in the individual strategy papers and is quantified by the weighing method. The priority weight is determined by its number of occurrences in individual documents. The highest weight is assigned to national documents (weight 4 for NPR and weight 3 for PVV), lower weight documents received at European level (weight 2) and lowest weight for global documents (weight 1).

2. National challenges based on recommendations by the national and international institutions

This criterion takes into account national challenges based on recommendations from international and domestic institutions that highlight specific risk areas for the Slovak Republic in the following documents:

- EU Council recommendations for SR to NPR 2016 ^[10] a k NPR 2017 ^[11],
- The country report from EC 2016 ^[12], 2017 ^[13] and 2018 ^[50],
- OECD publication „Going for growth“ 2017 ^[14],
- Country report – Slovakia by NKÚ SR 2016 ^[15].

The list of national challenges in each document is given in Appendix 1. If the area was identified as problematic in one of these materials, its significance increased based on the frequency of its occurrence (weighing 2).

3. Risks according to standards

This criterion takes into account the risk areas according to internal standards by SAIs or ISSAI (100, 200, 300, and 400).

The importance of policy areas for audit activity is increasing where the area was traditionally identified by ISSAI 3200, which is more closely related to performance audit ^[16]. This standard States that the areas traditionally prone to risk include, for example, information systems, health, public procurement and environmental issues.

Areas that are considered to be traditionally at risk according to standard are assigned a risk factor of 1.2. This means that the significance of the risk area has increased by 20%.

The source information for the above mentioned methodological approach is elaborated in the table in Appendix 2.

4. STRATEGIC AREAS OF AUDIT ACTIVITIES OF THE SAO SR FOR 2018 - 2020

Based on the national strategic documents, 9 strategic areas (Table 1) were designated for the focus of the SAO audit activities in 2018 - 2020. Each of the areas also has assigned materiality for the controlling activity of the SAO SR as the national audit authority in Annex 2, which resulted in 3 criteria used. The area with the highest weight is the most significant in this respect. The importance of the latter area *Defence and security* has been extremely low compared to other areas, but this area is specific to the disclosure of objectives in publicly available documents, which were based on the benchmarking of materiality.

The strategic areas of focus by SAO audit activity include the European Structural and Investment Funds. European funds as a financial instrument represent the most important financial resource for the implementation of the country's policies and their annual average is around 3% of GDP ^[17] over the period 2012-2017. The European funds, given their specific status (they are not directly public policy but the source of its funding) are therefore treated as a separate chapter 5 of this material.

Table 1 Strategic areas of audit activities of SAO SR for 2018 – 2020

Strategic area
Education, research, development and innovations
Effective and transparent public administration
Health
Employment and business environment
Sustainable consumption and production, energy efficiency and environmental sustainability
Sustainable public finance and fiscal policy
Social policies
Transport infrastructure and IKT
Defence and security

Source: SAO SR

In the following subchapters of Chapter 4 individual strategic areas of public policies, respectively their sub-policies (included in strategic areas) are presented. Within each strategic area, its selection is justified by reference to important strategic materials; at the beginning of each section of Chapter 4 is a table with selected objectives from the country strategy papers. Also, some issues of particular strategic areas and suggested recommendations for audits are described in more detail. Within each area, the most important national indicators were also identified. Their summary overview is elaborated in a table in Appendix 3.

4.1 Education, research, development and innovations

The area of "Education, Research, Development and Innovation" became the most important one from the process of determining the significance of the strategic areas for the SAO SR audit activity for 2018-2020. By highlighting the main objectives and identified shortcomings, the high relevance of this area is documented in the following two subchapters.

4.1.1 Education

The education is an area that is included in all considered strategic documents (Table 2).

Table 2 Selected goals from strategic documents for

Area	Education
UN – 17 SDGs	Goal 4: By 2030 ensure equal access to quality technical, vocational, and higher education including academic
	By 2030 ensure that all learners acquire the knowledge and skills needed to promote sustainable development, and that, among others, through the education for sustainable development and sustainable life style, human rights, gender equality, promoting the culture of non-violence and peace, global citizenship and appreciation of cultural diversity and contribution to permanently sustainable development.
Strategy Europe 2020	Better the results and augment international attractiveness of higher educational institutions in Europe and overall quality in all levels of education and training in EU.
Government Programme Statement 2016 - 2020	Significant increase in public investment in education, coupled with major internal changes in education system.
	Quality education and upbringing reacting to present and expected needs of the individual and society, and especially the needs of national economy.
	Securing the position and evaluation of teachers that would reflect the extraordinary significance of their work.
	Effective and functioning education system.
National Programme of Reforms 2016	Changes in the accreditation commission.
National Programme of Reforms 2017	Change in regional education financing and its rationalization.
	Higher quality and better support for teachers.
	Reform of accreditation commission and accreditation process (quality in higher education).
	Integration of marginalised Roma communities (education).

Education was identified by the Slovak Government as a priority in three successive NRP (2015, 2016 and 2017). Its importance was particularly highlighted in the PVV of 2016, where the development of education ranked among the top priorities of the Slovak Government in the 2016-2020 election period. Thanks to this, there was a strong social pressure to solve problems in education and the fact education became one of major political issues before the 2016 elections.

Several international comparisons point to the fact that Slovakia has many shortcomings in education and is significantly lagging behind other countries. The OECD annually publishes *Education at Glance* in which it assesses learning outputs and outcomes related to education. The 2017 report shows that Slovakia is lagging considerably behind advanced countries in the amount of spending on education (public and private expenditure for primary to tertiary education). According to 2014, OECD countries spent an average of 5.2% of GDP on educational institutions, while in Slovakia it was only 3.9% of GDP ^[18].

The above-mentioned problem was reflected by the SR Government in the PVV of 2016, where it committed itself to ensure a significant increase in public investment in education, which should also be linked to major systemic changes. By 2020, the Government of the Slovak Republic wants to achieve an increase in public funds amounting to 2 billion. € and education spending reaching a level comparable to that of the EU countries ^[5]. This commitment was partly met by

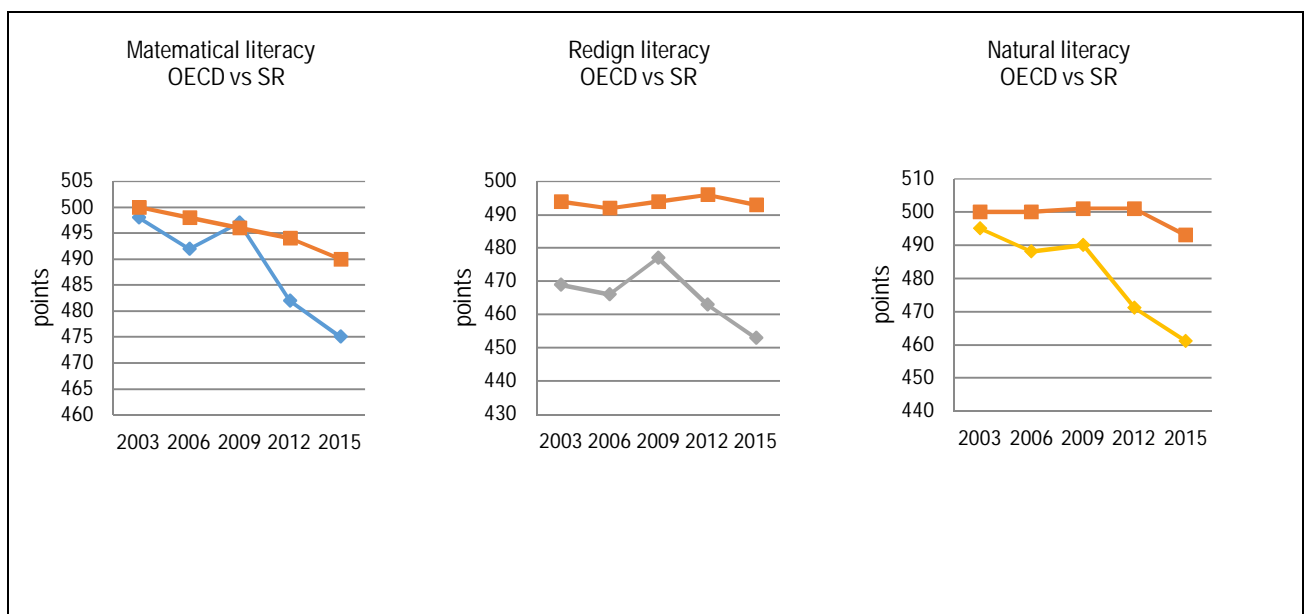
an increase in the teachers' salaries in regional and higher education by 6% from September 2016 and by another 6% from September 2017.

Inadequate funding for education is most evident in the low wage rates of education staff. Although the wages of Slovak teachers have increased in recent years, teachers' salaries have been among the lowest in the OECD ^[6] in the long run, and have a significant contribution to the low attractiveness of the teaching profession. This is also why young talented people do not want to work in education, which results in unfavorable trend of aging teachers, which was also highlighted by the Country Report - Slovakia by the SAO SR ^[15].

In the case of the training the future teachers, the EC sees the problem of inadequate training and lack of practical teaching, which, together with the above-mentioned low attractiveness of the teaching profession, prevents improvement in the study results ^[12].

Information on the knowledge and skills of 15 year old school pupils in OECD countries in the areas of reading, mathematics and natural literacy is provided by the PISA International Student Assessment Programme, which is conducted on a regular basis in three-year cycles. The PISA results from 2015 showed that Slovak pupils worsened between 2009 and 2015 in all three areas tested and achieved results below the OECD average (Picture 3). In 2015, the average score was 463 points, with an average of 492 points in the OECD countries.

Picture 3 Results of PISA tests 2003 - 2015



Source: OECD

Another identified problem is the very significant inequality in education. In 2012, Slovakia was among the countries with the highest impact of the unfavorable socio-economic background of pupils on their results. In 2015, there was a narrowing of the gap between socio-economic group results, but not for the improvement of disadvantaged pupils. The results of other pupils have worsened and came close to the disadvantaged ^[19].

Several educational issues were raised by the EC in the Country Reports for 2015 and 2016 ^[12]. the difficult transition of graduates of vocational schools and universities into employment; high share of university graduates in jobs that do not require higher education; early school leaving; low share of tertiary education graduates; the high proportion of Roma pupils in special schools or the limited demand by participants for the newly introduced dual training system.

According to EC, the identified problems attributed, for instance, in 2017 ^[13] to absenting track record of graduate employment and performance agreements with higher education institutions, poorly developed innovation schemes to make occupations with a shortage of qualified workforce more attractive, and other shortcomings in the dual education

system. This includes, in particular, the low interest of young people and certain schools in participating in this system and the poor awareness of its benefits.

The aim of linking education and labour market needs in vocational education was set by the Government in the NRP of 2016 ^[6], taking into account the EC's criticism, and has committed itself to support activities aimed at the promotion of dual education and the study of technical specialisations. It also provided a solution to the problem of low capacities in nursery schools, the high administrative burden on teachers and the lack of textbooks.

In the case of higher education, the main objectives of the Government are to increase transparency and public scrutiny of the accreditation process and to prepare changes to the university funding system to allow for greater consideration of differences in their quality. Insufficient mechanisms for quality assurance and accreditation in Slovakia also drew attention to the EC in the Country Report for 2018 ^[50]. The weak internationalization of higher education and ongoing low number of foreign students at Slovak universities were also mentioned as a problem.

An indirect indicator of their inadequate quality is the fact that Slovakia has, compared with other V4 countries, the lowest number of universities in the international rankings of universities. This results in the departure of the best students abroad. According to OECD data, almost every seventh Slovak college student (14.2%) studies abroad, with only Luxembourg (68%) having a higher share among OECD countries ^[18].

The strategic objectives of the SRT in education and education in the 10-year perspective are in the National Program for Development of Education and Training ^[20]. This document, "*Learning Slovakia*", was prepared by a group of experts and is the largest reform of education to date. The authoring team has also incorporated many of the approximately 4,000 comments and suggestions from the professional and lay public in a nearly 260-page document, and should be followed by the creation of action plans with a timetable, prioritization and budget of concrete measures after its publication in early October 2017.

Progress in implementing this reform of regional and higher education has been limited according to EC ^[50]. Given the current pace of preparation of the reform, several reservations about its proposal, and political support also according to SAO SR, there is a risk of persistence and failure to solve the problems described above in education, which raises the need for focusing the Office's audit work on this area.

Recommended topics:

- Funding selected primary and secondary schools with regard to economic efficiency, quality and availability of education.
- Dual vocational education and training system.
- Up-to-date teacher training with a focus on verifying the attractiveness of the teaching profession and the application of graduate teachers.
- The cost and performance of information systems in the education sector.
- Selected education projects funded by EU funds.

4.1.2 Research, development and innovations

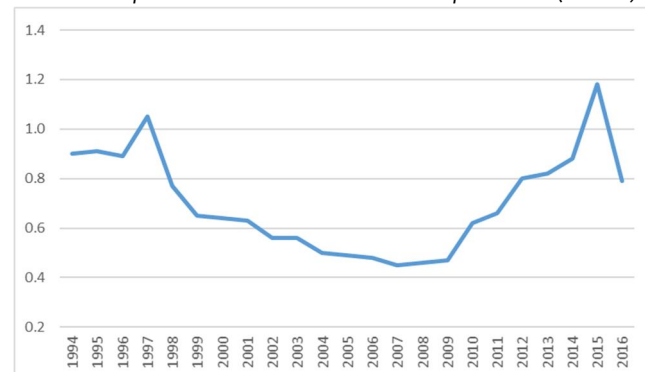
The area of research, development and innovation is highlighted as a priority in international and domestic documents, strategic for development of the SR (Table 3). One of the objectives of UN agenda 2030 is to strengthen scientific research, including the support for innovation. The R & D theme is also the content of the PVV for 2016 - 2020, where it is stressed that "*the Government is committed to create a favorable environment for the development of enterprise research, development and innovation, and setting up effective tools to stimulate the industry to support research.*" Following this, the R & D funding reform is mentioned in the National Reform Programs 2015 and 2016. In particular, the Action Plan for the Implementation of the Strategy for Research and Innovation for the Intelligent Specialization of the Slovak Republic (RIS3) for 2015-2016 and the transformation of the SAV is particularly important.

Table 3 Selected goals from strategic documents for

Area	Research, development and innovation
UN - 17 SDGs	Goal 9: Strengthen scientific research, better technological abilities of industrial branches in all countries, especially in developing countries including the support for innovations and substantial increase of number of workers in research and development on 1 million of inhabitants before 2030, as well as in expenditure in public and private research.
Strategy Europe 2020	Increase the investments into research and development/innovation to 3% of GDP.
Government Programme Statement 2016 - 2020	The Government will push for creation of favourable environment for enterprise research, development and innovation and setting up effective tools to motivate the industrial sector to engage in research.
	The preparation of a Law on public research institutions will be finished and subsequently a transformation of SAV will be concluded that represent, along higher education institutions and universities, the base for research potential of the SR.
	The Government will support the research at the higher educational institutions as the necessary supposition to quality higher education, especially in PhD studies as its highest level.
National Programme of Reforms 2016	Reform of research and development financing.
	Transformation of SAV (Slovak Science Academy).
National Programme of Reforms 2017	To increase the grant financing schemes of the institutions of higher education.
	Transformation of SAV (Slovak Science Academy)

In line with the Europe 2020 strategy, it is necessary to increase spending on research, development and innovation in order to achieve the stated objectives. Investments in this area are essential for long-term economic development and prosperity as they strengthen economic growth, job creation, labor productivity and resource efficiency. R & D expenditure in Slovakia reached 0.79% of GDP in 2016 (Picture 4). Due to the lower drawdown of EU resources, compared to 2015, they have fallen significantly and their level is significantly lower than the EU average that is around 2 % of GDP.

Picture 4 Expenditure in research and development SR (% GDP)



Source: Statistical Office of SR

Despite the Government's stated goal of creating a favorable environment for the development of enterprise research, the existing measures (e.g. the formation of environment and conditions that reduce the brain drain from Slovakia ^[21] or other measures from the NRPs) have not yet led to a stronger increase in motivation for private investment research and innovation. In 2015, they represented only less than a third of total R & D expenditure.

The very low volume of public and private resources causes Slovakia to lag behind the EU average in terms of innovation performance. In the Country Report 2016 ^[12], the EC found this, adding to other factors in this situation, the fragmented political framework and the inefficiency of public funding. According to the EC, modernization of R & D in Slovakia therefore requires an improvement in the policy framework and a faster implementation of reforms and plans to support R & D ^[13].

The lengthy process of adopting change in this area can be illustrated by the long-term transformation of SAV into public research institutions. The Law to initiate this change was prepared from the end of 2014, but only approved in 2017. For several years, there has also been a major change in the management of the R & D system in Slovakia, which despite the declared prioritization (NPR 2015, NPR 2016) has not yet taken place.

In the Country Report 2018, the EC also pointed to the administrative inefficiency and non-transparency of the evaluation and selection process in support of EU research and development. Other identified problems include the low number of researchers employed by enterprises, the very low level of patenting and the weakest results among EU countries in the number of frequently cited scientific publications ^[50].

Suggested topics:

- Efficiency and effectiveness of the use of public funds provided through institutional support for R & D at universities.
- Effectiveness and efficiency of public resource management provided through targeted research and development support by the Research and Development Support Agency (APVV).
- Evaluations and selection processes in support of R & D projects from national and EU sources.
- The economy, sustainability and efficiency of private R & D projects - recipients of State subsidies and subsidies from EU sources.

4.2 Effective and transparent public administration

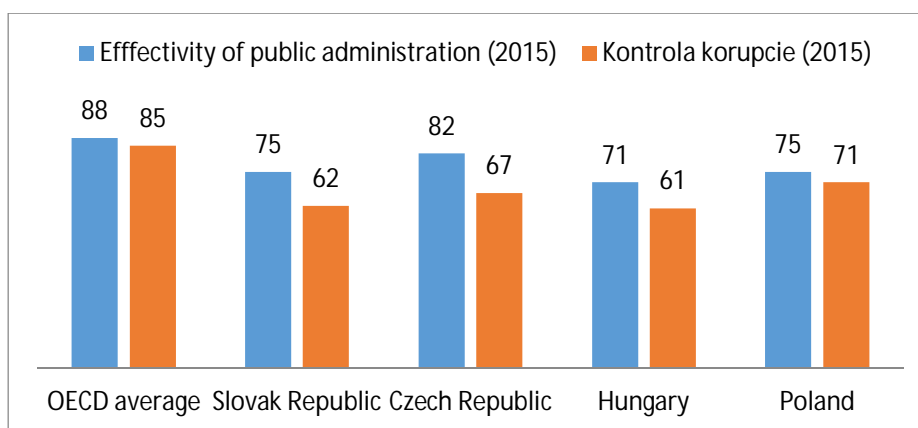
Within the framework of UN agenda 2030, it is recommended to create effective, accountable and transparent institutions at all levels. These objectives will also be reflected at European and national level (Table 4).

Table 4 Selected goals from strategic documents for

Area	Effective and transparent public administration
UN - 17 SDGs	Goal 16: Promote the rule of law at national and international level and ensure the same access to justice for all.
	Significantly reduce corruption and bribery in all forms.
	Promote sustainable procurement procedures in line with policies and priorities.
	Create effective, responsible and transparent institutions on all levels.
Strategy Europe 2020	Consolidate management, strengthen the transition from price-exclusive competitions to procurement based on quality and better prosecution of illegal practice in public procurement.
	Better transparency, quality, effectiveness of human resources management in public administration.
	Better the efficiency of the system of courts system.
Government Programme Statement 2016 - 2020	Eliminate the room for corrupted conduct in all public administration, in public procurements implementation, providing State subsidies and finance contribution from EU funds supporting the informatisation of such process.
	The Government will strengthen activities and institutional structures aimed to forego and eliminate the radicalization of the society in the forms of extremism, xenophobia, racism, anti-Semitism and aggressive nationalism.
	The Government will introduce the measures to better State property management using centralised management so the State and public administration concentrates on their core roles.
	Introduction of essential measures to boost the courts effectiveness aiming to speed up courts' proceedings.
National Programme of Reforms 2016	Analytical capacities of the financial administration.
	Effective, reliable and open State administration – Programme ESO – following stages.
	Anti-corruption
	Law on register of the public sector partners.
National Programme of Reforms 2017	Analysis capacities of the financial administration.

Public administration has a major impact on the functioning and quality of State governance. However, according to several independent sources of information, Slovakia has serious deficiencies in this area and lags behind developed countries. World Bank Governance Indicators (WGI)^[22] assess more than 200 countries worldwide in six areas of Government (freedom of speech and responsibility, political stability and absence of violence, efficiency of public administration, quality of regulation, rule of law, corruption control). In the case of the effectiveness of public administration and corruption control, Slovakia is considerably behind the advanced OECD countries and is the third worst country in the V4 group (Picture 5).

Picture 5 Attained indicators percentile "Effectivity of public administration and Corruption Audit in 2015"



Source: World Governance Indicators

The ESO (Efficient, Reliable and Open Government) Programme, which was approved by the Slovak Government in April 2012 and is scheduled to be implemented by 2020, should contribute to address the problem of low efficiency of public administration in Slovakia.

The Ministry of the Interior of the Slovak Republic is responsible for ESO; according the Ministry this program represents the largest planned reform of the State administration since 1989^[23] and is divided into 3 basic stages:

- 1) Integration of specialized units of the local Government (until mid-2014),
- 2) Establishment o Client Centers for citizens (2014/2015),
- 3) Optimalisation of State administration performance, optimalisation of processes and structures of central State administration bodies, process optimalisation and self-Government performance (2014-2020).

Although the Government considers ESO reform to be one of its priorities, the Ministry of the Interior itself admitted existing large reserves in its national strategy for reform of the public administration^[24]. In their identification, it refers primarily to the findings of international organizations such as the European Commission, the Council of the EU and the World Bank.

The EU Council, in its recommendations of 2015^[25] and 2016^[10], drew attention to several shortcomings in Slovakia. It included ineffectiveness, inefficiency and poor quality of public administration, its fragmented and rigid structure and management system. According to the European Commission's 2016 Country Report^[12], Slovakia is slow to digitalise public administration, and the use of eGovernment services is still low, despite potentially strong demand for digital services.

The quality of public administration is closely linked to the management of human resources in the public sector. In its 2015 report^[27], the European Commission noted that high staff turnover and inefficient human resources management persist in public administration. The high fluctuation of public administration staff (not only in leadership positions) is partly related to electoral cycles and reduces incentives to build skills and qualifications. These then adversely affect the development of effective policies. This is also frustrating the low level of co-operation between ministries, which the EC reproached Slovakia in 2017^[13]. The choice and appointment of the chair and vice-chairmen of various regulatory bodies affected by political interests is also considered as problematical

In order to increase political neutrality, transparency, efficiency and professionalism of the public administration in Slovakia, a new Civil Service Act was adopted in 2017 and an independent Civil Service Council was established. It is still too early to assess the impact of these measures and in this context the EC recommends careful monitoring of progress in Slovakia [50]. According to the Country Report for 2018, public administration is still hampered by inefficiency, and implementation of its reform, funded by EU funds, is slow.

In support of public administration reform, the Interior Ministry was asked to provide financial assistance from the Eurofunds and, within the 2014-2020 programming period, Slovakia will be able to use 278 mil € within the framework of the Operational Program Effective Public Administration. This programme has two basic objectives: the first is the promotion of public administration systems and processes, including the strengthening of institutional capacities and transparent public procurement rules; the second objective is extensive judicial reform, streamlining the judicial system and enhancing law enforcement [26].

In the field of public procurement, the system of public procurement of services commonly available on the market (Electronic Contract System) was launched in the run-up in early 2015 in support of transparent rules. The introduction of this instrument is supposed to prevent speculation in public procurement and to bring significant savings in purchases of ordinary goods and services by State institutions and local authorities. Increased transparency in the management of public resources should also be facilitated by the "the anti-shielding law" passed at the end of 2016 (Law on register of the public sector partners). Thanks to the new legal norm, it will be the duty of companies active in public procurement to register with the public sector partners register and publish the owner's structure to the level of the end-user beneficiaries.

Transparency issues of public procurement are highlighted by the EU Council Recommendations of 2016 [10]. Public procurement processes are criticized, notably their unconsolidated management, lack of expertise and conflicts of interest. The Council also pointed out that the tender specifications are often tailored to a particular tenderer and that the criterion of the lowest price is used excessively, regardless of quality.

In the case of public procurement, the European Commission's Country Report for 2016 identified as a problem the limited competition and the frequent use of emergency procedures without a call for tenders or offers. In 2017 [11], the limited functionality of control mechanisms in public procurement, a significant degree of lack of competition, and an above-average perception of manipulation of public procurement with managers of Slovak companies became the object of criticism. As a result, there is a high level of perceived corruption.

The Transparency International report [28] which evaluates corruption in 176 countries around the world, revealed that Slovakia scored by four places lower in the global corruption scoring list and ended in 54th place for 2016. This is the seventh worst placement from the EU countries.

Despite this, the number of prosecutions for crimes related to corruption is very low, and the prosecution of corruption cases in high places is rare [50]. According to the EC, this can be hindered by the lack of accountability of police and prosecutors, and the functional dependence of police and police inspectors on the Interior Minister.

Legal system

The efficiency of the justice system is a long-standing issue, which is also highlighted by the European Union and other important international institutions. In the field of justice and enforceability, three new Codes were adopted by mid-2015: the Civil Dispute Settlement, the Civil Extra-Dispute Rules and the Administrative Judicial Code. Their main objective is to increase the quality and efficiency of the work of the courts. As the EC also pointed out in 2016, Slovakia's problems are lengthy and complicated court procedures that impede the enforceability of contracts.

In a more detailed assessment of the effectiveness, quality and independence of the legal systems of the EU Member States, the EC is making an annual comparative assessment of the EU Justice Scoreboard. Also, according to the 2017 report [29], the dispute resolution rate in civil and commercial cases has improved significantly, but the average time needed to resolve the case is one of the longest in the EU and is still prolonging. As a significant problem, mistrust

was identified in the fact whether the courts act and decide independently. According to the EC's Statement, the Slovak public confides in the independence of the courts at least throughout the EU, and strongly feels that Government and politicians are interfering in the work of courts. The report also States that the fight against corruption can be hampered by the lack of transparency and accountability of the police and the public prosecutor's office. However, the "the anti-shielding law" and the attempt to reform the judiciary are positively evaluated. However, according to the EC, the impact assessment is still too early.

The European Commission also draws attention to the shortcomings in the judicial system in its most recent country report [50]. According to its findings, the judicial system shows signs of improvement, but there are still problems in terms of its effectiveness. The length of legal proceedings in Slovakia markedly improved in 2016, but it is still unclear whether this was due to a real increase in efficiency or only due to methodological changes in judicial statistics. There concerns about the independence of the judiciary still remain. Slovakia is still the last among the EU Member States as regards the perceived independence of the judiciary, with no improvement over the previous year. The constitutional objections of the judges and candidates for judges who questioned the security reviews are still unresolved. Slovakia also takes measures to streamline and improve its judicial system, for example in the area of information and communication technologies, the new Slovak civil procedural law or the introduction of an electronic payment order.

Management of the real eState by the State

The topic of the use of the real eState infrastructure is also compared in the Benchmarking Information Exchange Project (BIEP).¹

Expenditure on the purchase, rental and maintenance of buildings is a significant item of Government budgets. Buildings should be bought or leased on the basis of needs, with minimum costs, appropriate rentals or purchases, and the like. Building maintenance should be secured in the most economic and efficient way possible.

A comprehensive examination of this issue in the State administration bodies, including the comparison of the costs of asset management, could bring significant recommendations towards the Slovak Government. A suggestion for uniformly managed real eState management could be a proposal to the National Council of the Slovak Republic.

Management and economy by the self-Governments

Taking into account the volume of budgeted financial resources and the extent of competencies, it can be concluded that, in addition to the Government and ministries (State administration), 2,933 municipalities [30] and 8 higher territorial units (territorial self-Government) are significant public policy makers in Slovakia.

According to the data from the Draft Budget for the Public Administration for 2018 - 2020, municipal expenditures in 2018 will amount to about 4.3 billion EUR and expenditure of the higher territorial Government to about 1.4 billion EUR. It is approximately 16% of the total public administration expenditure. Unlike the State, the municipalities and higher territorial units are expected to have surplus management [31].

The SAO SR has been given the power to audit the management of municipalities by amendments to the Constitution and the Act on the SAO SR in 2006. The SAO SR has so far provided a large number of findings on breaches of general binding regulations, violation of the Act on Local Self-Government Budgeting, violation of the Municipal Property Act,

¹ The Benchmarking Information Exchange Project was launched by the Czech Republic in 2016 at the level of the V4 + 2 countries. The aim of the project is to get examples of good practice on the basis of the proposed performance indicators. The potential benefit of the project is the possibility to compare the results of controls performed in the SR with the control findings of other V4 + 2 countries. Based on benchmarking within selected areas, it is possible to assess whether the measures implemented in the SR have produced similar results, or it is possible to gain inspiration about what measures in public policies could be designed to achieve better performance indicators in the international comparison.

shortcomings in the area of long-term planning, violation of the Public Procurement Act, non-observance of the Financial Control and Internal Audit Act, violation of the Act on Accounting, non-observance of the Freedom of Information Act.

Municipalities and higher territorial units perform their functions through original self-Government competencies and through the transferred competencies to fulfill some of the tasks of the State administration. The original competencies of municipalities mainly concern education, transport, spatial planning, health, social affairs and culture, and their performance is funded by their own tax and non-tax revenues of municipalities. In the case of transferred tasks of State administration to self-Governments, they are assumed to be more rationalized and more efficient in fulfilling these tasks in transport, building regulations, education, population registration or the environment. For the performance of delegated competencies, grants are allocated from the State budget.

In the current period of economic growth, the problems of self-Government are more pronounced, especially in the field of land-use planning and building regulations. Self-Governments that do not have good quality land use plans are much more exposed to the risk of chaotic construction and unconceptual territorial development due to investor pressures. Many other problems in this area are due to inadequate legislative regulation, as the amended 1976 Construction Act, which was amended several times, does not take into account current needs in spatial planning and construction. Existing rigidity of the legislation, along with slow and inefficient construction procedures, often results in the failure to obey or circumvent the rules, including the creation of illegal "black consturcitons". The Ministry of Transport and Construction has been working on the new building law for several years, and early 2018, the first proposal of the Law was published, which includes the withdrawal of competencies for towns and municipalities in the framework of the transferred State administration. As a whole, however, this proposal was rejected by the Association of Towns and Villages (ZMOS) and the Chamber of Builders of the Slovak Republic (SKSR).

In 2018, the SAO SR will deal with the exercise of self-Government competencies by elaborating a preliminary study focusing on the higher territorial units as public policy makers and an analytical report on the competencies of municipalities in the capital city of Bratislava.

Suggested topics:

- Measures and objectives of strategic documents aiming at increasing the efficiency, modernization and transparency of public administration (Operational Program Effective Public Administration, Electronic Contract System, Electronic Public Procurement).
- Risky public authorities in the face of previous corruption cases.
- Measures and objectives of strategic documents in the field of human resources management in the public sector (recruitment, evaluation and training of employees).
- Cost effectiveness, length of court proceedings, management, and system of internal control of the judiciary at all levels.
- Contracts for legal or advisory / consulting services that are concluded between public administrations and private companies.
- Efficiency and effectiveness of the performance of selected original and transferred competences of territorial self-Government entities.
- Business companies in which municipalities, the higher territorial units hold a stake. This topic follows from the conclusions of the 2017 audits, focused on the administration of local self-Government entities with property holdings in commercial companies.
- Implementation of measures and activities for the implementation of the municipal development program, higher territorial Governments in the context of public funds, which is to ensure the fulfillment of the municipal development program. The activities of the municipal and higher territorial units' development programme should be transferred to the multi-annual municipal and higher territorial units' budgets.
- Ensuring spatial planning activities in local Government.

4.3 Health

Strategic area Health is proposed on documents that are considered strategic for further routing of the SR (Table 5).

Table 5. Selected goals from strategic documents for

Area	Health
UN - 17 SDGs	Goal 3: Ensure a healthy life and promote well-being for all and at all ages.
	By 2030, to reduce by one third premature mortality due to non-communicable diseases by prevention and treatment and to promote mental health and well-being.
Government Programme Statement 2016 - 2020	Reduce waiting times for health and nursing care
	Introduce transparent rules for patient payments
National Programme of Reforms 2016	Payments for the DRG Diagnostic Group
	Implementation of e-Health
	Construction of a new hospital
	Integration of healthcare provision
National Programme of Reforms 2017	Implementation of e-Health
	Implementation of the results of expenditure revision in health

Source: SAO SR Strategy and Analysis Department

Under the UN agenda, the goal is to reduce by one third the premature mortality rate due to non-communicable diseases through prevention and treatment by 2030 and to promote mental health and well-being. The aim of the EU Council Recommendations for the SR for 2017 and 2018 is to improve the cost effectiveness of the healthcare system, including the implementation of the Value for Money project.

The Country Report - Slovakia 2018 ^[50] shows that the cost-effectiveness of healthcare shows some improvement. Expenditure review under the Value for Money project has shown room to improve cost-effectiveness. Its implementation has led to savings and positive changes in hospital management. The interim implementation report States that a significant number of commitments have been met and in the first nine months of 2017, approximately 60 million EUR have been saved. There is a high level of hospital indebtedness (EUR 728 million as of 31 December 2017) and a low rate of use of beds (67% compared to the EU average of 74%). Measures to rationalize hospital care continue, but the plans to create effective, integrated care centers did not advance.

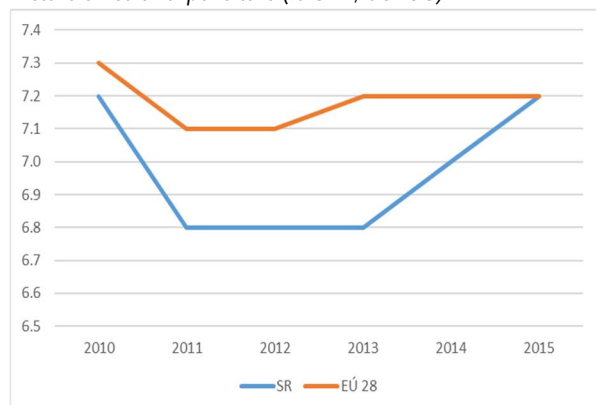
The introduction of a system of payments based on Diagnostic Groups (DRGs) and the launch of eHealth systems (eHealth²) only record slow progress. The deadline for putting electronic services into practice has been shifted several times. There is a high level of indebtedness in hospitals, a low rate of bed use (67% compared to the EU average of 74%) and stagnation of the implementation of the integrated health care model.

Health is one of the priorities of economically developed countries and is one of the largest spending items. Against the aging of the population, a further increase in expenditure is expected, so it is particularly important to spend it efficiently. Comparison of health expenditure for the period 2010-2015 (Picture 4) confirmed the higher health expenditure for the EU27 average compared to the SR. In 2015, however, the Slovak Republic has reached the EU 28 average at 7.2% of GDP. However, the SR score compared to the EU-28 average is lagging behind. The "Healthy Years of Life at Birth"

² Project was renamed from eHealth to eZdravie

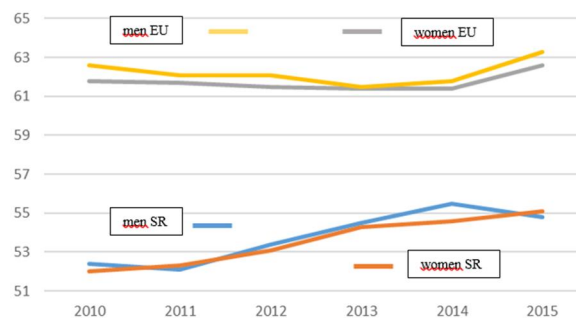
indicator is the number of years at birth a person can expect to live healthy. In 2015, this figure was 54.8 years for men in the SR, 55.1 for women, with the EU 28 average for men 62.6 years, for women 63.3 years (Picture 6).

Picture 6 Health expenditure (% GDP, COFOG)



Source: Eurostat

Picture 7 Healthy years at birth (in years)



The comparison of inputs and outcomes in health care shows that health care efficiency in Slovakia has long been a serious socio-economic problem. According to NPR 2017 ^[7], several projects have been carried out for a long time to help improve health efficiency.

The project "Health Electronics (eHealth)" has been introduced after long transitions, but its use in practice can hamper the limitations of its basic functions and weak user-friendliness. On January 1, 2018, legal provisions have been enacted to ensure a regular, gradual implementation of the eHealth system. The risks appear to be the compatibility between public (NCZI) and private (Dóvera) e-health solutions and whether the NCZI will provide adequate technical assistance to doctors before the end of the standstill period of the relevant law (end of 2018). Other risks are the performance of eHealth servers, the administrative and time burden for the physician, and the time gap between data from health insurers and the NCZI.

In the "Implementation of Payments for Diagnostic Group (DRG)" project, a reimbursement mechanism was launched in 2017. In the first year, individual hospital rates are in place to avoid significant financial fluctuations and destabilization of the system. Each health insurer has its own rescue system in case the DRG payment to the hospital significantly deviates from the original payment mechanism (payment for hospitalization). In 2018, a five-year process of convergence of individual rates will begin with a single base-line reference rate that ends in 2022. However, the project is likely to face problems due to users' unpreparedness. The DRG risks may lie in the accuracy of the diagnosis coding and the quality of the data base for the project.

Through the "Redefining the Types of Hospitals and Care", the Ministry of Health of the Slovak Republic in 2017 adjusted the personnel norms and the material and technical security as well as the typology of the hospitals in order to ensure the objectivity of the costs and to improve the allocation efficiency of resource use. Optimisation of the hospital end-user network as well as networks of ambulatory providers will be optimized, with emphasis on regional needs and patient safety.

The implementation of the "Revisions of expenditure" conclusions from 2016 ^[32] should increase the efficiency of health expenditure. Potential savings over the three-year horizon should reach 363 million EUR. The revision of spending has set itself the goal of identifying potential savings primarily in healthcare spending and then using them in other health care areas to make an effective contribution to improving the quality of healthcare.

The residence programme is aimed at supporting the specialization study of health workers to supplement and stabilize the status of qualified healthcare workers in the health care system in the specialized fields of general medicine and pediatrics. The risk for the future is also a shortage of specialists in other fields, so the residency program should be extended to include further specializations.

Among the most important projects of quality change in health care provision and system operation The Implementing Unit incorporates full functionality of DRG and eHealth projects ^[32]. Starting January 2018, the eHealth project was launched. It brings electronic communication between doctors, hospitals, laboratories and pharmacies. Benefits are to better prescribe medication, avoid duplicate examinations. Doctors should get quick access to the patient's health records, which will allow them to improve the quality of healthcare provided. The risks of eHealth server performance, the administrative burden on physicians and the time discrepancy between data from health insurers and NCZI. The DRG risks may consist of error rates of scoring and underestimation of diagnoses and the quality of data provided by healthcare facilities.

Suggested topics:

The SAO SR audits within the "Health" area should answer the following fundamental questions:

- How are the goals of eHealth and DRG projects fulfilled?
- Which specialised departments should be complemented by a residency program?

From the fundamental question, the following topics for audits are:

- The eHealth implementation status.
- Status of DRG implementation.
- residents´ programme set up.

4.4 Employment and entrepreneurial environment

4.4.1 Employment of Slovak population

In the case of the strategic sub-sector Employment in the Slovak Republic, there is obviously a very strong link to the commitments and SR measures defined in the strategic documents. A summary of the occurrence of related objectives and measures is presented in Table 6.

Table 6 Selected goals from strategic documents related to

Area	The employment of the SR inhabitants
UN - 17 SDGs	Goal 8: To support permanent, inclusive and sustainable economic growth, full and productive employment and dignified work for all
Strategy Europe 2020	To increase the employment rate to min. 72% among 20 – 64 years of age.
Government Programme Statement 2016-2020	To create further 100 000 jobs through support of the economic growth and lower the unemployment rate below 10%. The Government will continue to pay attention to Roma inclusion according to SR Strategy for Roma integration before 2020 and SR obligation as EU member State.
National Programme of Reforms 2016	Capacity expansion of nursery schools
	Development of childcare services for kids up to 3 years
	New or innovative programmes of active policies at the jobs market (AFTP)
	Continuation of the reform in employment services
National Programme of Reforms 2017	The reform of employment services and AFTP.
	Extending the capacity of kindergartens and developing childcare services for kids up to 3 years.
	Integration of the marginalised Roma communities (jobs market).

The area of employment of the SR population is based on the employment rate indicator for the 20-64 age group, which was used in the Europe 2020 strategy as one of the main objectives ("Increase the employment rate of the population aged 20-64 from the current 69% to at least 75% "In the EU and at least 72% in the Slovak Republic).

Picture 8 Unemployment rate (%)



Source: Eurostat

The employment rate in the EU in the 20-64 age group reached 71.1% in 2016, which is 1.3 percentage points higher than in the SR (69.8%). The SR is among the member countries with a lower than average EU average and is at the average of the euro area countries (69.9%), Poland (69.3%) and Malta (69.6%).

Employment growth in the Slovak Republic stopped in 2008 as a result of the economic crisis and the return to growth has registered employment again since 2014 (picture 6).

Several studies highlight the risks in this area: IFP material "Three Challenges of the Slovak Economy" from March 2015, the IFP document "Many Work at Labor Offices: Effectiveness and Efficiency of Employment Services" of October 2016, revision of market policy spending Labor and Social Policy, approved by the Government of the Slovak Republic on 11 October 2017, "Country Report 2017 - Slovakia", "Country Report - Slovakia 2018", OECD Going for Growth 2017 paper containing recommendations in public policies in the form of priorities for Slovakia (public sector, education, women in the

labor market and marginalised Roma communities) and so on. Based on the studies mentioned, the greatest problems in this area are the long-term unemployment, unemployment of marginalised Roma communities, female employment and regional labor market disparities.

According to Eurostat, the long-term unemployment rate reached 5.8% in 2016, up 1.8 pp. as the EU average. Long-term unemployment in the SR (12 months and over) accounted for 60.2% of total unemployment, compared to the EU average, 13.8 percentage points higher, the SR long-term unemployed being in EU the highest share of long-term unemployed (Greece - 72% , SR - 60.2%, Bulgaria - 59.1%). Long-term unemployment is characterized by significant regional labor market disparities, low labor mobility and low participation of the Roma in the work process.

Improving the situation of this priority group should lead to the introduction of several forms of support to the integration of long-term unemployed in the labor market, the introduction of individualized training programs based on regional labor market needs, individualized guidance, projects aimed at supporting job creation for the long-term unemployed, education and retraining programs, non-State employment services, etc. as part of an action plan for the integration of the long-term unemployed, supported by the ESFS.

The most significant group of long-term unemployed in the Slovak Republic are marginalized Roma communities with low or no qualifications. To solve the problems of this population group, on January 11, 2012, the SR Government approved the material Strategy of the Slovak Republic for Roma Inclusion by 2020^[33], later action plans in which the main and partial targets for Roma employment are clearly stated. One of the main objectives is "to reduce the unemployment rate of the Roma by 50%, based on the 2010 UNDP survey, when the unemployment rate for Roma men was 72% and for women 75% (15-64)". On 22 February 2017, the Government of the SR approved an updated version of the strategy^[34], which does not already have this main objective. The UNDP, WB, and EC survey conducted in 2011 shows the unemployment rate of the Roma population (15-64) at 70% and employment (15-64) at 15%. Based on unofficial data on the unemployment of the Roma population from the previous period, it is clear that the number of unemployed Roma in the Slovak Republic is systematically increasing and the Roma population represents a significant majority of the long-term unemployed in the Slovak Republic. This development is illustrated in Picture 9.

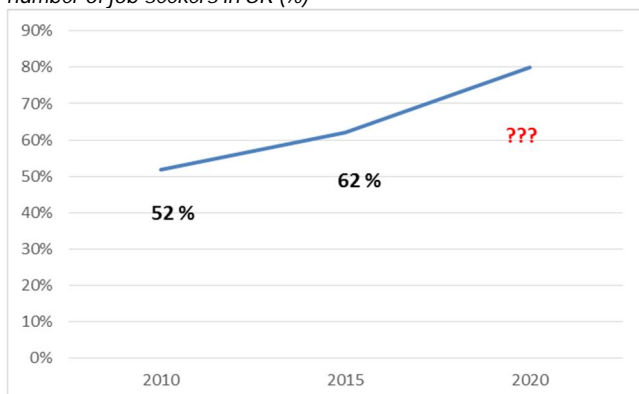
The latest prognosis of the development of the Roma population in the SR by 2025, realized by INFOSTAT, shows an estimate of the Roma population in Slovakia in the year 2020 of 499 170 inhabitants. In the 18-64 category, the forecast for the year 2020 estimates the number of Roma to 316 349. In the case of unemployment of the Roma 70% (UNDP, WB, EC, 2011), an estimated 221 444 unemployed Roma in Slovakia in 2020 can be mentioned. From the UNDP / WB / EC survey in 2011 in 12 European countries shows that the unemployment situation of Roma in Slovakia is worst in these countries (Figure 10). It is clear from the above data that it is extremely important for the Slovak Republic to address Roma employment.

As regards female employment, the skills of women are underutilised and underestimated in the labor market. According to Eurostat data in 2016, the employment rate for women (SR: 62.7%, EU: 65.3%) is still significantly lower than for men (SR: 76.9%, EU: 76.9%). The difference in women's employment compared to the EU average is particularly profound in younger age groups due to study and especially childcare, while women over the age limit of 40 years are gradually declining. Slovakia is one of the countries where maternity has the greatest impact on employment and working life. Increasing women's employment is still hindered by childcare obligations (in 2016 only 0.9% of children under 3 years of age were enrolled in formal childcare). In 2017, the Government of the Slovak Republic implemented several measures to help women's employment, improving the availability of childcare facilities for children under the age of 3, active labor market policy tools to promote mothers' integration with children into the labor market after returning from parental leave, etc.

Regional differences in the labor market have persisted for a long time, according to ÚSVR SR data as at 31.12.2017 the registered unemployment rate in Eastern Slovakia (Prešov region: 9.68%, Košice region: 9.94%) was several times higher than in Trnava (2, 60%) or Bratislava Region (3.05%). To reduce regional disparities, the Slovak Government approved action plans for the least developed districts (in January 2018, the number of such districts increased to 16), the conditions for drawing on investment aid in the least developed districts were introduced, the adoption of a law to support the social economy are prepared, respectively are implementing a number of project intentions to promote entrepreneurship, the

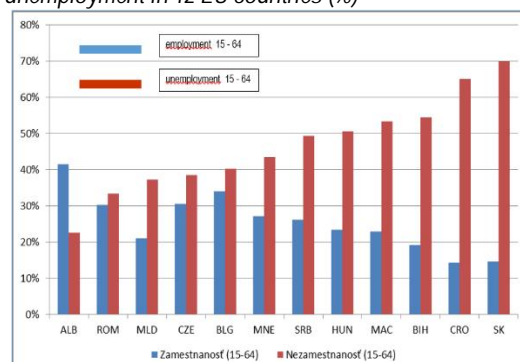
social economy, link labor market needs to the provision of training lines, promote landmarking, etc., which should help reduce these differences. The results of the proposed measures can only be expected in a longer time horizon.

Picture 9 Estimated proportion of unemployed Roma to overall number of job seekers in SR (%)



Source: Statistics Office SR, INFOSTAT

Picture 10 Comparison of employment rate and Roma unemployment in 12 EU countries (%)



Source: UNDP, WB, EC

Note: population estimate by INFOSTAT were used in category 18-64 and unemployment survey UNDP/WB/EC for category 15-64.

The proposed area concerns in particular the Ministry of Labor and Social Affairs of the Slovak Republic. Total expenditures of the Ministry of Labor and Social Affairs budget for employment in the Slovak Republic, in millions of EUR between 2015 and 2020 (actual and proposed) are shown in Table 7.

Table 7 Expenditure by MPSVR SR for employment (mil. €)

Year	2015 R	2016 R	2017 P	2017 ES	2018 P	2019 P	2020 P
Employment policy in total	188	236	282	338	268	283	282
EU sources + co-financing	43	7	230	96	227	239	237
EU sources + co-financing in %	22,87%	2,97%	81,56%	28,40%	84,70%	84,45%	84,04%
in it:							
2 nd Programme period	43	0	0	0	0	0	0
3 rd Programme period	0	7	230	96	227	239	237
Transfer from previous years	115	171	0	190	0	0	0
Employment policy from State Budget	30	58	52	52	41	44	45
Employment policy from State Budget in %	15,96%	24,58%	18,44%	15,38%	15,30%	15,55%	15,96%

Source: MF SR: Public administration budget for 2018 až 2020 (R- Reality, ES - Expected Status; P - Proposal)

Regarding the marginalized Roma communities, the updated Action Plan of the Roma Strategy for Roma Inclusion for the years 2016-2018 in the field of employment quantified the financial requirements for implementation of individual measures and activities amounting to almost 146 mil. EUR.

Suggested topics: Odporúčané témy:

The audits of the SAO SR in the area of "Employment of the Slovak Republic inhabitants" should answer the fundamental question: is it realistic that the SR, following the objective of the Europe 2020 Strategy in the field of employment support, will achieve a specific objective: "To achieve 72% of the employment rate of the population aged 20 - 64 Years by 2020?"

The following questions should be part of the fundamental question:

- Are the funds for employment policy used economically, efficiently and effectively and are helping to meet the proposed Europe 2020 strategy?
- Do the National Reform Program Action Plans reflect the actual sequence of steps that are aimed at achieving the proposed goal?
- What measures need to be proposed by the SAO in order to reach the target?

From the above mentioned facts, the following audit topics arise:

- The economy, efficiency and effectiveness of employment services in keeping with the Europe 2020 strategy.
- The economy, efficiency and effectiveness of a system of active labor market measures as well as its individual instruments in keeping with the Europe 2020 strategy.
- The State of reform of employment services and active labor market measures.
- The effectiveness of investment aid for the creation of new jobs.
- Fulfillment of the main and partial objectives of reducing the unemployment of the Roma population within the framework of the SR Strategy for Roma Inclusion by 2020 and the implementation of the updated Action Plans of the SR Strategy for Roma Inclusion for 2020 2016-2018.
- The management of organizations set up by central Government authorities for the implementation of individual policies (eg the RASPaR).

4.4.2 Business environment

The business environment is contained in both foreign and domestic strategic documents, which determine the direction of the Slovak Republic in the future (Table 8). However, the strategic objectives in this sub-area have not been addressed either in the NPR 2016 or NPR 2017 Action Plans.

Table 8 Selected goals from strategic documents related to

Area	Business environment
UN – 17 SDGs	Goal 8: Enforce development policies that support productive activities to create worthy jobs, entrepreneurship, creativity and innovation and support formation and growth of micro and medium enterprises also with help of access to finance service.
Strategy Europe 2020	Improvement of business environment especially for small and medium enterprises, lowering administrative burdens and increasing the quality of laws and regulations in business.
Government Programme Statement 2016-2020	Decrease of administrative burdens for business
	Create stimuli to support business

The business environment can be characterized by the Doing Business score indicator. This indicator measures the regulation of domestic small and medium-sized enterprises during the nine phases of their life cycle: start of business, building permit, registration of ownership, obtaining credit, investor protection, paying taxes, cross-border trading, contract recovery and business termination. According to Doing Business, the SR improved its regulatory environment for entrepreneurship by 2016 compared to 2015 and reached 33rd place among the 190 countries surveyed. In the new methodology, despite the improvement in points, the SR registered three-point move downward from position 30 to 33. The point assessment was positively affected, in particular by simplifying the administrative processes associated with real estate tax payments and evaluating the processes that companies undertake after fulfilling their tax obligations. The most underdeveloped areas included the protection of minority investors, the acquisition of building permits and the enforcement of law. These factors can hinder investment and growth by discouraging entrepreneurs from establishing or expanding an enterprise.

Within the V4 countries for the years 2006, 2010, 2016, Slovakia did not improve significantly in the Doing Business rankings as much as Poland and the Czech Republic, which in 2016 overtook Slovakia in ranking (Table 9).

Table 9 Comparison of V4 countries Doing Business ladder

year	2006	2010	2016
Poland	54	72	24
Czechia	41	74	27
Slovakia	37	42	33
Hungary	52	47	41

Source: WB

According to the EC Commission Country report 2017^[13], small and medium-sized enterprises can play a key role in the economic diversification of Slovakia, with the challenge of innovation policy and resource efficiency. R & D spending and cooperation between the public sector, research institutions and businesses are stagnating. R & D spending remained unchanged in 2015 at 0.33% of GDP, one of the lowest levels in the EU and well below the indicative target of Slovakia of 0.8% in 2020

Policy measures to support research and innovation are ineffective and reforms are advancing slowly. The perceived rate of corruption is high and acts as a significant barrier to business. Insufficient eGovernment services complicate corporate communication with authorities. The low degree of perceived independence of the judiciary in Slovakia weakens the confidence of businesses.

Slow progress in improving the business environment is to some extent offset by providing investment aid. Investment aid is, however, the cost to other taxpayers. Investment incentives have so far favored a number of companies a year, mostly in more advanced regions. They are a politically cheaper substitute for improving the business environment and better management of public finances that would allow tax cuts.

On 6th February, 2018, the NR SR approved the Government Bill on Regional Investment Assistance with effect from 1st April, 2018. The aim of the investment aid is to direct the flow of new investments into less developed areas and thus reduce regional differences, will focus on high added-value investments, notably investments in progressive technologies and activities.

Suiggester topics:

The audits by the SAO SR within the business environment should answer the fundamental question: "Is investment aid indispensable in the process of improving the business environment and in supporting high value added research, innovation and investments in small and medium-sized enterprises?"

The following audit topics stem from the fundamental question:

- Benefits of investment aid provided with emphasis on support for research, innovation and high added value investment.
- Efficiency, economy and effectiveness of the set investment aid system for key subjects (MH SR, SARIO, Eximbanka).

4.5 Sustainable consumption and production, energy efficiency and environmental sustainability

4.5.1 Power engineering

The energy sector is a priority in all the main strategic documents influencing the national objectives of the SR (Table 10). An effective solution to this area requires cooperation at European level. It should also be noted that the energy sector is prone to risk, also under the INTOSAI Performance Checklist ^[2].

Tab. 10 Selected goals from strategic documents related to

Area	Energy effectiveness
UN - 17 SDGs	Goal 7: To secure access to affordable, reliable and long-term sustainable energy sources for all
	To increase significantly the share of renewable energy in global energy mix before 2020.
	Before 2030, to enlarge international cooperation to secure access to research and technology and clean energy including renewable energy, energy efficiency and advanced and cleaner technologies in fossil fuels, and enforce investments into energy infrastructure and clean energy technologies.
Strategy Europe 2020	To secure 20% of energy from renewable sources.
	To attain 20 % increase in efficiency in energy use.
Government Programme Statement 2016-2020	The Government considers consistent use of the regulatory framework for energy price stability to be important part of energy security of SR and one of the important tools supporting the sustainable development of economy, industry competitiveness and quality life of households.

Source: Strategy and Analysis Department SAO SR

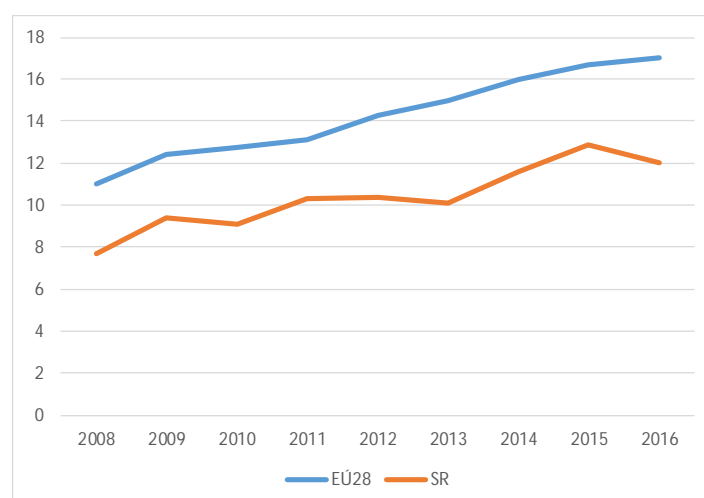
One of the main topics in the energy sector is the increase of the share of energy from renewable sources. The target for the SR is to reach 14% in 2020. In the SR, the share of renewable sources in total gross energy consumption was 12% in 2016. In NPR 2016, in addition to renewable energy sources, it is important to increase energy efficiency and build energy interconnections between countries. These areas, however, did not pass into the tasks in the action plan.

Comparison of the share of energy from renewable sources in the SR with the EU for the period 2008-2016 is illustrated in Picture 11. The overall trend of the share of energy from renewable sources in total gross energy consumption is increasing in the EU and Slovakia, but in Slovakia the year-on-year decline was the largest year-on-year decline from all EU countries.

The EC report 2017^[13] States that the energy intensity of the Slovak economy has slightly improved, but it is still one of the highest in the EU and is about 80% higher than the EU average. The energy dependency of the SR is also high, with 58.7% of energy consumed in 2015 coming from imports.

The report also highlights the distortion of the electricity market, which puts new barriers to production and cross-border energy transmission. Electricity prices are high compared to neighboring countries and include several politically motivated price components, such as the domestic brown coal electricity tariff that has a negative impact on the environment. Adding new resources to the system is considered difficult and since 2013 there is a so-called "Stop State", which prohibits the connection of new renewable energy sources to the grid.

Picture 11 Share of energy from renewable sources in total gross energy consumption (%)



Source: Eurostat

Given the priority of strengthening renewable energy sources, the concept of the development of electricity production from small renewable sources (RES) was adopted in the Slovak Republic. The concept of the development of electricity generation from small RES in the first stage assumed, in the expected total public contribution of 100 mil. EUR by a one-off contribution from the EU structural funds for the installation of a small resource, the expected direct financial savings for small-scale operators of more than 2000 EOR per point of discharge over the period under assessment. Free supply of electricity from small producers to distribution systems will be worth more than one million EUR. At the same time, the creation of new jobs and the turnover of small and medium-sized entrepreneurs who are tax payers are predicted.

The total amount earmarked for the promotion of energy from renewable sources in the programming period 2014-2020 amounts to 115 million EU and. European and national sources (EUR 100 million from OP Environment). From the NSRF operational program 2007 - 2013, about 379.6 million EUR were provided for this purpose. EBRD and MH SR Grant Sloveff II provided 90 million EUR.

The suggested financial support relates to:

- construction of small installations with installed power (up to 10 kW) for the production of electricity from RES: photovoltaic power plants, photovoltaic power plants for direct heat generation, small wind turbines,
- construction of heat recovery equipment using solar collectors: solar collectors, biomass boilers, heat pumps.

Under the new European Commission legislation, Member States should ensure that all consumers and small businesses have the right to supply electricity at appropriate, clearly comparable, transparent and non-discriminatory prices.

In the NPR 2016, the Government of the SR pledged to take further steps to eliminate the increase in end-of-pipe electricity prices³, despite the strong financial support of RES and combined production of electricity and heat (CHP). In this sense, it is also important to monitor the potential and impact of the implemented aid on the development of RES for the purchase price of energy. The SAO SR, in view of its economic significance and impacts on the population, should concentrate on the preparation of capacities for audit activities in the field of energy pricing and to examine the impact of Government policy measures on the benefits for the citizens.

Suggested topics:

The objectives and instruments of energy policy implementation, the management of State policy makers and the management and operation of the national regulatory authority should be among the priority areas of audit activity.

- Energy costs.
- Consumer Protection - Verifying the economy, efficiency and effectiveness of regulatory policy, assessing the manner of execution, the scope and structure of eligible costs, and the method of determining the appropriate profit level in the form of price and substance regulation in the form of appropriate price regulation regulations.
- The added value of the implemented measures and the fulfillment of the projected objectives for end-users - consumers.

³ Legislative framework: The basic legal norm for regulation in the SR is Act 250/2012 Coll. on regulation in network industries as amended, which does not adequately address end distribution costs. European legislation is also austerly when it comes to access to the distribution system. Although Directive 2009/72 / EC regulates the operation of the distribution system, it does not comment on the choice of charges for access to distribution systems. Regulation EC No. 714/2009 on conditions for access to the system for cross-border exchanges of electricity regulates access charges to systems but does not explicitly address the distribution system. In the guidelines in Part B of the Regulation, in the case of fees paid by producers, only the transfer is mentioned again.

4.5.2 Environmental sustainability

The area of environmental policy is a frequent topic in strategic documents concerning the Slovak Republic, especially at the transnational level (Table 11). However, this area has not been incorporated into the tasks of the National Reform Programs Action Plans in recent years.

Table 11 Selected goals from the strategic documents related to

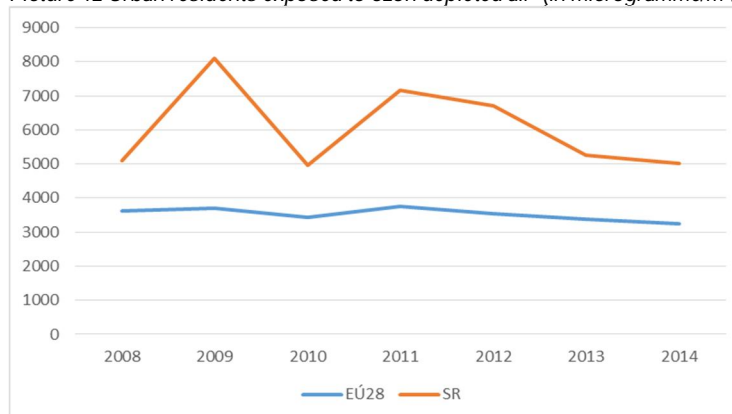
Area	Environmental sustainability
UN - 17 SDGs	Goal 8.4: Before 2030, progressively better the effective use of resources on global level in consumption and production and make effort to separate economic progress from environmental damages.
	Goal 7a: Before 2030 enlarge international cooperation to secure access to research and technology and clean energy including renewable energy, energy efficiency and advanced and cleaner technologies in fossil fuels, and enforce investments into energy infrastructure and clean energy technologies.
	Goal 11.6: Before 2030 lower the negative environmental impact of settlements <i>per capita</i> also through individual attention to air quality and waste management
Strategy Europe 2020	To lower the green-house gases by 20 %
	To get 20 % of energy from renewable resources
	To achieve 20% increase in energy efficiency
Government Programme Statement 2016-2020	To increase the air quality, especially in urban and industrial environs, through scrupulous application of valid legislation and using innovative approaches to emission reduction.

Source: Strategy and Analysis Department SAO SR

According to the world's most sophisticated EPI index (Environmental Performance Index), Slovakia has the 24th best environment from the 180 countries surveyed. According to EPI, the best results are achieved by the SR in biodiversity and biotopes, while air quality is the most challenging (Picture 12).

The exposure of the urban population to ozone - depleted air in the Slovak Republic was 5,020 micrograms per cubic meter per day in 2014, which is approximately 1,5 times the EU average and roughly the same as in 2008.

Picture 12 Urban residents exposed to ozon depleted air (in microgramme/m³/day)



Source: Eurostat

According to the analytical study Three Environmental Challenges in Slovakia ^[35], on the basis of available data and international comparison, Slovakia is the most disadvantaged for advanced countries in the management of waste and air quality. The waste treatment rate is one of the lowest in the EU. In the atmosphere we have a problem with excessive dust, ground-level ozone and high concentrations of nitrogen dioxide. On the contrary, the Slovak Republic has very good international greenhouse gas reduction results but has reserves in the area of wastewater management and solid waste management show reserves.

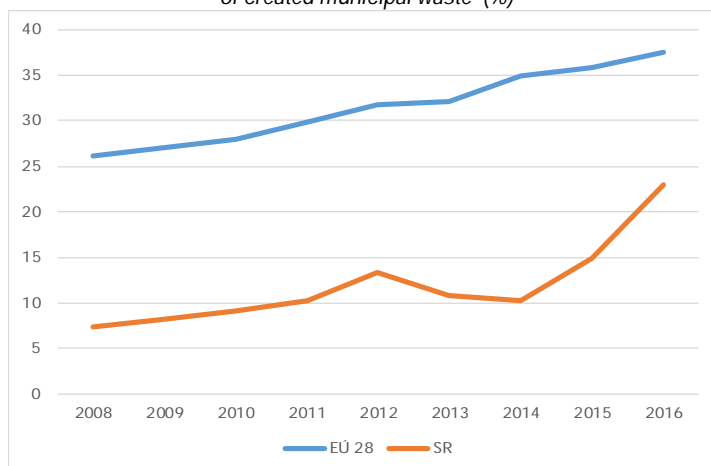
According to the latest EEA (European Environment Agency) estimates in Slovakia, as a result of bad air, nearly 6,000 people die prematurely, most because of high concentrations of PM 2.5 dust particles⁴ [37]. Above all, many Slovaks are exposed to harmful dust particles. More than 12% of the population is exposed to increased levels of PM 2.5 particles in the air, which is above the OECD average. The concentration of larger PM10 particles (less dangerous than PM 2.5) is close to the EU average. The concentration of nitrogen dioxide (NO₂) is the worst in the EU. While the country average is less than 20 µg / m³, a median of 34 µg / m³ was measured in Slovakia. Also, the SR has statistically the third worst concentration of ground-level ozone in the air comparing to EU [35].

National commitments to reduce emissions by 2030 are difficult to achieve. The funds currently used by the SR for achieving emission reduction targets (emission limits, technical requirements and operating conditions) are not sufficient. There is a National Pollution Reduction Program, which defines effective measures to meet these emission ceilings (emission plans, reduction areas, emissions trading). Similarly, the forthcoming Air Quality Improvement Strategy and Air Quality Improvement Programs will contribute to this, which will prepare a comprehensive concept of air quality management for the SR and achieve improved air quality throughout the country.

Waste and its mismanagement burden the environment twice. The direct impact of its storage and potential threat of environmental contamination, the secondary burden is in the form of pressure to use new sources, which may in some cases be non-renewable.

The recycling rate for municipal waste is one of the lowest in the EU. According to the latest EC assessment report [50], about 66% of municipal waste is landfilled in the SR, which places the country on the last places in the member countries' list. Recycling rates are 23.2%, with a European average of 46.3% (Picture 13)

Picture 13 Proportion of recycled amount of municipal waste to total amount of created municipal waste (%)



Source: Eurostat

The EC is preparing a project to assess the impact of EU consumption on the environment. The project should result in an evaluation framework for the preparation of scenarios and policies that should contribute to sustainable consumption (Quality Standards for the Secondary Raw Materials Market and the Plastic Strategy).

The EC also notes that tax instruments and fees (low waste landfill taxes, no waste incineration tax) are poorly utilised to improve waste management, and the Waste Management Act of 2016 introducing a new waste management system is harder to implement in practice than expected.

In the problem area, quality or protection of the air, a specific objective was defined within the OP KPP (PO1, INVESTMENT PRIORITY 1.4.1 Reduction of air pollution and improvement of its quality with the total amount allocated from the Cohesion Fund 209 mil. EUR (6.7% of the allocation from the OP KPP) to the eligible territory of the SR. In the area of waste management, 402.8 mil. EUR were allocated to the OP KPP (PO, INVESTMENT PRIORITY 1), which includes the entire waste management sector.

⁴ PM are microparticles scattered in the atmosphere, the contents of which most often include sulphates, nitrates, various inorganic ions, organic and elemental carbon, bound water and metals, or biological components such as allergens and microbial substances. They are of natural and human origin. They arise as a result of processes in combustion engines, in power generation or in industry and agriculture, or subsequent chemical reactions with substances already present in the atmosphere. These particles then enter the respiratory system and lead to respiratory and cardiovascular diseases. (WHO 2013). PM2.5 are considered to be more hazardous than PM10, because they are smaller and easier to get into the bloodstream [36].

In 2017, the SAO SA carried out an audit aimed at fulfilling the Slovak Republic's obligations and the funds spent on air quality assurance (fulfillment of the tasks of the SR resulting from EU and SR regulations, effectiveness of measures, financing of selected projects). In 2018, performance audit will check the efficiency and effectiveness of the municipal waste collection system in municipalities and the implementation of the State's measures to promote the increase of separated garbage in total municipal waste. Further environmental monitoring is related to assess the State of implementation of flood protection measures at various levels.

As it is about the high current social topics and the overlapping time horizon of the programming period of the OP KPP and the strategic material of the SAO SR, which extends until 2020, we recommend to include the selected topics in a later period. Also, on the basis of the results of the audits carried out, it is possible to consider their re-listing within the next three years.

Suggested topics:

Overall, the most problematic environmental sustainability problems in the SR include air quality, waste management,, alternatively source efficiency. The SAO SR audits could therefore focus on the following areas:

- Waste management - the economy, efficiency and effectiveness of waste prevention, recycling and waste recovery tools for separated garbage; establishment and implementation of a single environmental monitoring and information system in waste management; tools in waste management for hazardous waste management and waste management (construction of new facilities and reconstruction of existing hazardous waste recycling facilities). Sustainability checks of implemented projects.
- Source efficiency - Efficiency and effectiveness of tools for an energy efficient low-carbon economy (eg biomass-based plants, small plants using renewable energy, etc.). Sustainability of implemented projects.
- Effectiveness of measures adopted for air protection - introduction and application of technological and technical measures to reduce emissions of air pollutants into air from sources of air pollution (emission reduction technologies, in particular separating devices, changes in technological processes, replacement of outdated combustion equipment), improvement of air monitoring, the promotion of information tools in the field of air protection, integrated pollution prevention and control.
- Contribution and effectiveness of individual environmental organizations and funds in the Slovak Republic for the fulfillment of environmental policy objectives and the management of environmental policy makers.

4.5.3 Agricultural policies

The policy on agriculture is highlighted in several strategic documents for the Slovak Republic. Under UN Agenda 2030, the 2nd objective mentions the achievement of food security and better nutrition and the promotion of sustainable agriculture. As a result, the promotion of a greener economy is also mentioned in the Europe 2020 Strategy. More detailed reflection of these objectives in the Government's program declaration is presented in table 12.

Table 12 Selected goals from the strategic documents related to

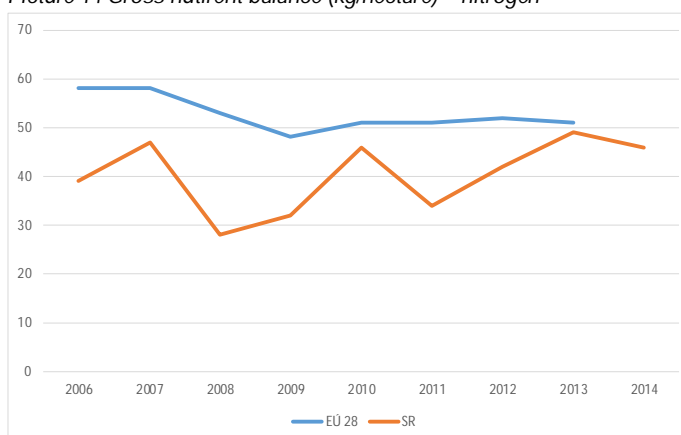
Oblast'	Agricultural policies
UN - 17 SDGs	Goal 2: Stop the famine, achieve foodstuff security and better nutrition and support sustainable agriculture.
Strategy Europe 2020	Support more ecologic and competitive economy that uses the sources in effective manner.
Government Programme Statement 2016-2020	Support domestic production and food processing industries recovery preferably with primary producers' property ownership.
	The Government will look for effective tasks penetration that stem from care for forests along the nature protection.
	Support to countryside and improvement of living conditions of the countryside people.

Source: Strategy and Analysis Department SAO SR

Although the policy area is appearing in Government programme Statements, this policy is almost absent in national reform programs. In NPR 2016, agricultural policy is mentioned only in connection with the drawing structural funds under the rural development operational programme.

Indicator of agricultural sustainability in the area of food safety is the gross nutrient balance, which indicates the intensity of use of mineral fertilisers with nitrogen content and intensive meat production, which results in increased nitrogen content in soil as well as pollution of groundwater. The resulting nitrogen balance in the Slovak Republic shows long-term annual nitrogen surplus, with an unfavorable trend towards the EU 27 average (picture 14). In 2014, the gross nutrient balance in Slovakia reached 46 kg / ha.

Picture 14 Gross nutrient balance (kg/hectare) – nitrogen



Source: Eurostat

According to an analytical study by the Institute of Environmental Policy ^[35], based on available data and international comparison, the forest sector is one of three areas where the SR lags behind the developed countries. This area has been defined due to the higher logging intensity and the exceeding of the recommended mining rate. Between 2001 and 2014, Slovakia lost almost 6% of forest cover. The Institute of Environmental Policy considers the change in forest cover between 2001 and 2014 (evaluated on the basis of satellite images) as the main indicator of the level of forests in Slovakia. More in methodology can be found in the Institute study ^[35]. According to the EC Country Report 2018 ^[50], forests are at risk due to poor forest management and excessive logging (this increases and negatively impacts the stability of Slovak ecosystems).

For these reasons, food security and forestry are selected as problematic areas.

There are two separate programmes in the budget of the Ministry of Agriculture and Rural Development, which relate, among other things, to food security and support of the competitiveness of agriculture and foodstuffs, which in the year 2015 received public funds in the total amount of almost 62 mil. EUR. Food quality and safety is oriented primarily to support Slovak foodstuffs, fight against double quality of foodstuff at European level, local counters in retails chains, National Food Catalog and also to protect Slovak consumers in connection with foreign food scandals.

In the programme budget the Ministry of Agriculture and Rural Development SR there is a separate programme related to sustainable forestry, for which the public funds in the amount of more than 5 mil. EUR were used.

To support investment in infrastructure related to the development, modernization or adaptation of agriculture and forestry, it is estimated that from 2017 to 2019 almost 15 mil. EUR will be spent from the State Budget and nearly 47 mil. EUR from the EU budget. From the EU budget almost 44 million and State budget more than 16 mil. EUR will be spent investing in forest development and improving the viability of forests. For forestry-environmental and climate services and forest protection almost 0.8 mil. EUR from State Budget and more than 2 million EUR were allocated from the EU budget.

In 2018, an audit of the management of not only State but also municipal forests (management of State enterprises, timber handling and forestry, audit of the implementation of forestry policy and fulfillment of the tasks arising from the National Program for Utilizing the Wood Potential of the Slovak Republic and the National Forestry Programme of SR, or the Forest Care Programme.

Suggested topics:

The most serious problems of agricultural policy include forestry and foodstuff safety. SAO audits should focus on the following areas:

Audit the implementation of the National Wood Potential Utilisation Programme that would answer the following questions:

- How were fulfilled the tasks and responsibilities arising from the strategic documents adopted in the field of forestry at the level of the Slovak Republic and at the level of the bodies of the European Union?
- How are fulfilled the activities and economic objectives of State-owned forestry enterprises founded by the Ministry of Agriculture and Rural Development?
- How has the forestry funding been secured on the basis of the strategic documents adopted in the field of forestry?
- How is *de minimis* aid scheme implemented in relation to the development of forest management plans following the process of elaborating a forestry programme for particular forestry units?
- How effective were economic instruments to support forestry? (The purpose should be to reduce forestry costs and to manage forests more efficiently.)
- How does the supervision system of the State forest management authorities work in forestry management?

Control of food safety, food quality, food legislation, food waste reduction policies, competitiveness of the food industry, area of trade mechanisms, promotion of the interests of the Slovak Republic in the food sector are suitable topics. Audits in this area would answer the following questions:

- What measures have been taken to address food security in the Slovak Republic (covering the needs of the domestic market with its own potential - food of domestic origin, i.e. support for domestic producers including the development of the country's production potential, organic farming, and bioeconomics)?
- How is the creation and implementation of State policy in the sphere of audit of business relations at the State level ensured? (MPRV SR - business supervision, control of disproportionate conditions and fulfillment of tasks under the *The Law on Inappropriate Terms in Commercial Relations 362/2012*, etc.)
- How is the system of official controls and checks at the different levels of the food chain in the Slovak Republic secured? (Transparency of official controls, information and communication with consumers, etc., penalty system, fines, etc.)

4.6 Sustainable public finance and fiscal policies

4.6.1 Sustainable public finance

The area of sustainability of public finance is highlighted in particular in the National Strategic Documents for the Slovak Republic (Table 13). The public finance also include spending in all public policies, which is an area closely linked to and influenced by them.

Table 13 Selected goals form strategic documents related to

Area	Sustainable public finance
Government Programme Statement 2016-2020	To achieve balanced public administration budget by 2020 and observance of budgetary discipline
	Adjustment of pensions´ valorisation while maintaining long-term sustainability of public finance.
National Programme of Reforms 2016	Changes in pensions´ system
	Greater value for money – assessment of public finance effectivity
	Reform to budgetary rules.
National Programme of Reforms 2017	Annual settlement of social contributions.

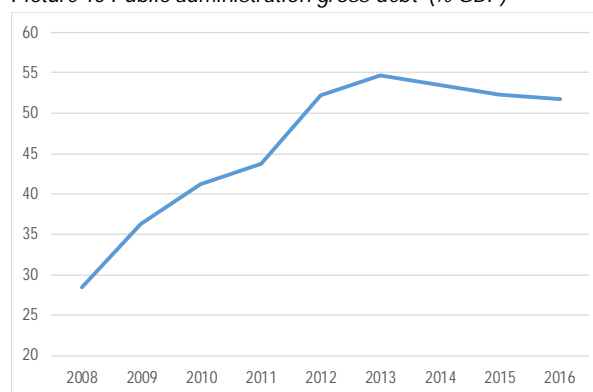
Source: Strategy and Analysis Department

The long-term sustainability of public finances has become one of the most important priorities of national Governments since the onset of the global economic crisis in 2008. The level of gross debt of the SR increased from 28.5% in 2008 to 51.8% of GDP in 2016 (Picture 15). The debt is thus still in the debt bracket band, with the first limit being exceeded in 2012.

Compared to the EU 28 average debt, the debt of the SR appears to be low, as the average debt at EU 28 represented 83.2% of GDP in 2016. However, this average figure is markedly distorted due to the inclusion of countries with problematic levels of debt (eg Greece, Portugal and Italy). A more realistic comparison is obtained by comparing with the Czech Republic with gross debt representing only 36.8% of GDP in 2016.

According to the Budget Accountability Board (BAC) study, 50% debt /GDP is the maximum acceptable level of debt with an acceptable default risk. This level is associated with approximately 8-10% probability of defaults at normal times and 20-25% at bad times ^[38].

Picture 15 Public administration gross debt (% GDP)



Source: Eurostat

The issue of sustainability of public finances for the Slovak Republic was also included in the Council of the EU's recommendations. In 2016, Slovakia was recommended that the Government deficit be brought closer to the medium-term budgetary objective - by 0.25% of GDP in 2016 and by 0.5% of GDP in 2017 ^[10]. In 2017, Council recommendations continue to emphasize the need to make substantial fiscal effort in 2018, in line with the requirements of the preventive part of the Stability and Growth Pact, and to ensure the sustainability of public finances in Slovakia ^[11]. The Government of the SR also responded to these recommendations in its NRP 2016 and 2017 by several tasks in the action plan influencing the sustainability of public finances (Table 13). Tasks from the Action Plan of 2016 ^[7] were, for example, the adjustment of pension revaluation while preserving the long-term sustainability of public finances or reforming the budgetary rules by means of an amendment to the Constitutional Financial Law that will link sanctioning areas to net public

debt instead of the currently used gross public debt and take into account strategic public investment in the application of sanctions.

RRZ highlights the SR problem with the achievement of the medium-term budgetary objective in its assessment of implementation the balanced budget rules ^[39], according to which the structural Government deficit reached 1.89% of GDP in 2016, which means that the medium-term target of an approximately balanced budget has not been achieved (structural deficit of no more than 0.5% of GDP). In the long run, it is necessary to point out, in particular, the problem of aging population, as from the point of view of demographic changes the Slovak Republic will face a major change in the age structure in 2040-2080 - according to Eurostat's demographic forecast, Slovakia should change from the youngest economy in the EU (only 20 people older than 65 years per 100 people aged 14-64 in 2015) to the 8th oldest (59 people over 65 on 100 active people).

Based on the report by the SAO SR of 2016 ^[15], the pensions and adjustment of the pension system were identified as the most important long-term risk to the sustainability of public finances, taking into account the expected demographic developments in Slovakia. In February 2017, the KEA (the banking, non-profit and Government sector analysts) also pointed out the risk in this area.

KEA issued a Statement in which it disagreed with the Government's forthcoming proposal to introduce a so-called investment exemption into the Constitutional Law on Budget Responsibility. The Constitutional Law on Budget Responsibility includes, inter alia, a debt bracket, a graduated sanction for the Government if the public debt exceeds the 50-60% of GDP threshold. The investment exemption would reduce sanctions according to the extent to which public spending would support, for example, the construction of highways and motorways. Most of the analysts questioned were convinced that debt relief would worsen Slovakia's preparedness to face the costs of population aging, delay the necessary pressure to reduce wastage and make public spending more efficient, and ultimately lead to an increase in deficits and gross public debt.

In view of the above, the SAO SA should focus in particular on the audit of the management of those public entities implementing the pension policy, especially the Social Insurance Company, whether it can perform its tasks in terms of economy, efficiency and effectiveness. And also in view of the fact that the Social Insurance Agency has sufficient income for the functioning of the pension system, especially in view of the problem of the aging population.

Suggested topics:

The draft recommendations for and audit(s) result from the following question: "What measures, financial operations and activities and the management of which public administration bodies pose the greatest risk from the point of view of the sustainability of public finances?"

- The efficiency of the management of public administration bodies identified on the basis of the largest amount of public expenditure, on the basis of risk monitoring - significant public administration bodies (eg Social Insurance Agency).
- Effectiveness and cost of measures aimed at ensuring the sustainability of public finances.
- The system for implementing programme budgeting, creation of budget measures and the management and control of the expenditure implementation.
- System of State accounting, analytical evidence and State reporting, and processes of economic reality evaluation with emphasis on the use of accrual accounting methodology.

4.6.2 Fiscal policies

Sustainability of public finances is closely linked to fiscal policy, particularly in relation to tax and levy collection, with the revenue part of the State budget. The occurrence of the area in the strategic documents is in table 14.

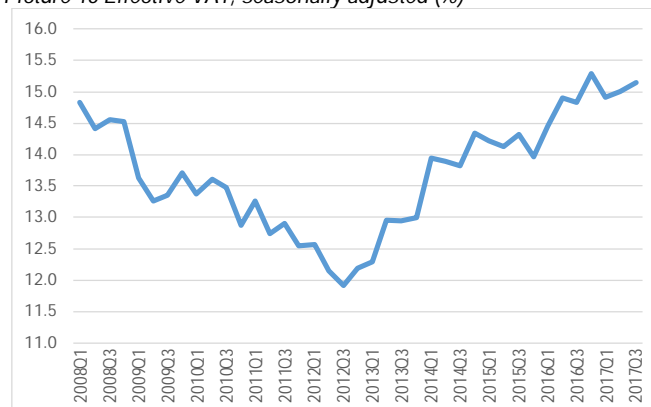
Table 14 Selected goals from strategic documents related to

Areas	Fiscal policies
UN - 17 SDGs	Goal 17: To strengthen mobilisation of local resources, also through international support to developing countries with goal to better domestic ability to collect taxes and other revenues
Government Programme Statement 2016-2020	Fight against tax and custom payments evasion
	To lower the tax on legal entities revenue on 21 % and yearly further assessment for decrease
	To cancel the institute of tax license starting by tax year 2018
	To increase the limit for flat-rate for self-employed
	To apply special levy and taxes in regulated sectors with possibility to expand it to other sectors
National Programme of Reforms 2016	UNITAS I – The reform of tax and customs administration
	Real eState taxation

Source: Strategy and Analysis Department

In the area of fiscal policy, most recommendations and measures of the SR are aimed at improving tax discipline and combating tax fraud. The main tax revenue of the State budget of the Slovak Republic is VAT revenue, which in the year 2016 was 6.9% of GDP in ESA 2010 methodology. The focus is in particular on the efficiency of value added tax collection. According to IFP estimates, the effective tax rate for VAT was 15.2% in the third quarter of 2017 (Picture 16). It is the highest effective tax rate since 2008, but it still represents a low value in the European context.

Picture 16 Effective VAT, seasonally adjusted (%)



Source: IFP

The fight against tax fraud started in Slovakia in 2012 with the adoption of the first "Action Plan to Combat Tax Fraud" [40]. The conditions were unfavorable at the time - in Slovakia, the efficiency of VAT collection was the second worst in EU and collapsed the tax system was a problem. The Action Plan included 50 measures mainly aimed at increasing the efficiency of VAT collection. In addition to the action plan, other measures were implemented like National Receipts Lottery. On the basis of the success of the measures of the first action plan, the Ministry of Finance, in cooperation with the Ministry of the Interior and the Ministry of the Justice, prepared a new Action Plan for Combating Tax Fraud, consisting of 30 measures. The SAO SR should focus on the subsequent evaluation of the most important tax measures implemented.

In addition to tax revenues, however, attention should be paid to other types of income. In particular, health and social charges, other non-tax revenues, such as licenses or payments of bank entities, eg on a whole range of Government revenues in terms of their effective collection to sustain the set pension system. Other non-tax revenues accounted for almost 12% of total public administration revenue in 2017.

Suggested topics:

- Effectiveness of measures to better the tax collection for State budget.
- Efektívnosť výberu zdravotných a sociálnych odvodov.

4.7 Social policies

The area is designed on the basis of document priorities that are strategic for the SR further direction (Table 15). Under UN agenda 2030, the first and main goal is to end poverty everywhere and in all its forms. By 2030, it is planned to strengthen the position and promote the social, political and economic inclusion of all, regardless of age, gender, disability, race, origin, ethnicity, religion, or economic or other status. Another of the objectives of UN agenda 2030 in the area of Social Policy can be found in Tab. in Appendix 2.

Table 15 Selected goals from strategic documents related to

Area	Social policies
UN - 17 SDGs	Goal 1: to eliminate poverty everywhere and in all forms
Strategy Europe 2020	To lower the number of people threatened by poverty and social exclusion.
Government Programme Statement 2016-2020	Government will introduce efficient institute of personal bankruptcy (mechanism of getting rid of debts).
	Support for people living in socially under-developed communities.
	Rising conditions for providing social benefits for people refusing work.
	Enhanced flexibility in receiving parental care benefits.
National Programme of Reforms 2016	Integration of marginalised Roma communities.
	Enlarging the capacity of kindergartens.
	Development of childcare services up to 3 years.
	Introduction of efficient institute of personal bankruptcy.
National Programme of Reforms 2017	Annual settlement of social contributions.
	Increasing capacity of kindergartens and Development of childcare services up to 3 years.
	Integration of marginalised Roma communities.

Source: Strategy and Analysis Department

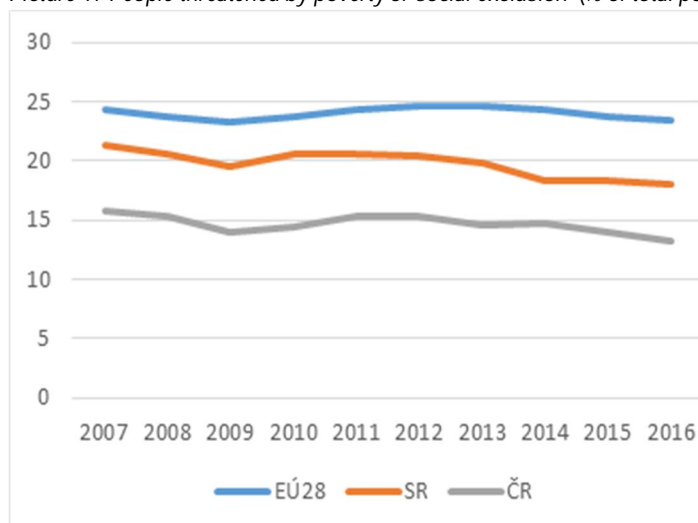
Strategic documents such as the Europe 2020 Strategy, the Government Program Statement 2016 - 2020 and the National Reform Program of the SR 2016 and 2017 confirm the very close link between the Social Policy and the Employment field.

To assess the development in this area, indicators are used to measure the number of people at risk of poverty or social exclusion and the poverty or social exclusion degree of risk. In addition to these two indicators, Agenda 2030 uses an indicator called extreme poverty, for which the income is considered to be less than \$ 1.25 / person / day.

In Slovakia, 18.1% of the population was threatened by poverty or social exclusion in 2016, with an average of 23.5% of the population in the EU (Picture 17). EU countries inhabitants most at risk of poverty or social exclusion were in Bulgaria (40.4%), Romania (38.8%) and Greece (35.6%), at least Czechs (13.3%), 3%),

Finland (16.6%), Denmark (16.7%) and Dutch (16.7%). The development of the indicator of the risk of poverty or social exclusion in the SR shows that in the period 2007-2009 the share of population at risk of social disadvantage or social

Picture 17 People threatened by poverty or social exclusion (% of total population)



Source: Eurostat

exclusion gradually declined (from 21.4% to 19.6%), then in 2010 it increased to 20, 6% as a result of the economic crisis, remained at the same level (20.6% and 20.5%) in the two remaining years of 2011 and 2012 and declined from 19.8% to 18.1% in 2013 2016 (Table 16).

Table 16 Population threatened by poverty or social exclusion

indicator	country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	goal 2020
Rate of risk of poverty or social exclusion (%)	SR	21,4	20,6	19,6	20,6	20,6	20,5	19,8	18,4	18,4	18,1	17,2
	EU	24,4	23,7	23,3	23,7	24,3	24,7	24,6	24,4	23,8	23,5	19,4
	CZ	15,8	15,3	14,0	14,4	15,3	15,4	14,6	14,8	14,0	13,3	x
Number of people threatened by povarty of social exclusion (in 000's)	SR	1 152	1 111	1 061	1 118	1 112	1 109	1 070	960	963	950	↓ by 170
	EU	x	x	x	117 678	120 667	123 61	122 703	121 910	119 049	118036	↓ by 20 000
	CZ	1 613	1 566	1 448	1 495	1 598	1 580	1 508	1 532	1 444	1 375	x

Source: Eurostat

In the Europe 2020 Strategy, one of the main objectives is to reduce the number of people at risk of poverty or social exclusion by at least 20 million. In terms of the Europe 2020 Strategy, the Slovak Republic's target for 2020 is to "Reduce the number of people at risk of poverty or social exclusion from the society by 170 thousand".

Also other materials highlight the risks in the strategic area of Social Policy:

- Country Report 2017 - Slovakia ^[13],
- Country Report 2018 - Slovakia ^[50],
- revision of expenditure on labor market policies and social policies, approved by the Slovak Government on 11 October 2017,
- The National Framework Strategy for Supporting Social Security and the Fight Against Poverty, approved by Government Resolution 301 of 3 June 2015,
- Report on the Social Situation of the Population of the Slovak Republic in 2016, MoLSAF SR,
- National priorities for the development of social services for 2015-2020, Ministry of Labor and Social Affairs of the SR, 2014,
- The SR Strategy for Roma Inclusion by 2020, approved by the Government of the SR on January 11, 2012,
- Updated Action Plans of the Roma Strategy for Roma Inclusion for 2016-2018 (elaborated in the field of education, employment, health, housing, financial inclusion, non-discrimination training and approaches towards the majority society - Roma integration initiative through communication), The Office of the Plenipotentiary of the Government of the Slovak Republic

The biggest problems in the given area are:

- the integration of marginalized Roma communities,
- weaknesses in the area of the rescue social network,
- availability and quality of social services (transition from institutional to community-based care, multi-source financing of social services),
- rapid increase in the gap between the poor and the rich (from 22.8% in 2010 to 29% in 2014).

The strategic area of social policies belongs to the Ministry of Labor, Social Affairs and Family of the Slovak Republic (MPSVR SR). The total expenditures of MPSVR SR for Social Policies in the Slovak Republic for the period 2015-2020 (actual and proposed) are presented in Table 17.

The concrete social policy, the area of social housing, was proposed by the Czech SAO for comparison within the BIEP international project. In 2017, the Czech SAO carried out a performance audit in this area, which can serve as an inspiration for the preparation of audit in the Slovak Republic. The SAI SR also provided the data for the international comparison of the system solution of the social housing situation.

Table 17 Expenditure of the MPSVR SR Chapter on social policies (mil. €)

Year	2015 R	2016 R	2017 P	2017 E	2018 P	2019 P	2020 P
social inclusion – total sources	1 788	1 738	1 795	1 774	1 887	1 960	1 992
EU sources + co-financing	27	0	13	0	10	11	13
transfer from previous years	37	16	0	9	0	0	0
social inclusion from State Budget	1 724	1 722	1 782	1 765	1 877	1 949	1 979

Source: MF SR: Public administration budget for 2018 till 2020
(R – Reality, E – Expectation, N – proposal)

Suggested topics:

The audits by the SAO SR within the proposed strategic area of Social Policy should answer the fundamental question:

Will the Slovak Republic, following the objective of the Europe 2020 Strategy, achieve a specific objective in the field of social policies - *Reduce the number of people at risk of poverty or social exclusion from society in the amount of 170,000 by 2020?*

SAO SR audits should offer the answer to partial questions to the fundamental question:

- Are the funds for the Social Policy Strategy used economically, efficiently and effectively and are helping to meet the proposed Europe 2020 target to “Reduce the number of people at risk of poverty or social exclusion by 170,000 by 2020?”
- Are the Action Plans of the National Reform Program (2016, 2107) reflecting the real sequence of steps that aim achieving the proposed goal in the Europe 2020 strategy?
- What measures need to be proposed by the SAO SR in order to reach the intended goal in line with the Europe 2020 strategy?

The following issues arise from these facts:

- The economy, efficiency and effectiveness of spending in the strategic area Social policies such as social benefits and contributions, social services, support for marginalized Roma communities, and alike;
- The addressing the expenditure on social benefits and allowances, social services, and alike;
- Effectiveness of measures to support social housing as part of social inclusion policy (social inclusion). The aim should be to examine whether the selected measures in the area of social housing have contributed to an effective solution to the causes of social exclusion;
- Efficiency of funds spent on running the children's homes;
- Fulfilling the main and partial objectives of addressing the social situation of the Roma population within the framework of the SR Strategy for Roma Inclusion by 2020 and the implementation of the updated Action Plans of the Roma Strategy for Roma Inclusion for the years 2016-2018;
- Meeting the objectives set out in the document - National Social Services Development Priorities for 2015-2020 – focusing on selected social services facilities such as facilities for seniors and specialized facilities.

4.8 Transport infrastructure and IKT

4.8.1 Transport infrastructure

Reducing regional disparities is a basic prerequisite for improving the quality of society's life. One of the main pillars in this area is high-quality transport infrastructure. "Building a solid infrastructure" is also part of Goal 9 Agenda 2030. The occurrence of this priority also in other strategic documents important for the SR is summarised in Table 18.

Table 18 Selected goals from strategic documents related to

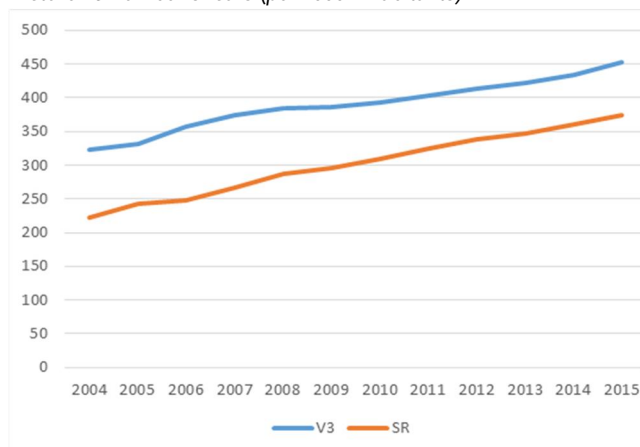
Area	Transport infrastructure
UN - 17 SDGs	Goal 9.1: Develop high-quality, reliable, sustainable and resilient infrastructure that would include regional and cross-border infrastructure for support of economic development and increased quality of life aiming at economically accessible and equal access to all.
Strategy Europe 2020	Modernisation of Transport within the incentive "Europe using effectively the sources" for sustainable growth support.
Government Programme Statement 2016-2020	The Government will continue to develop transport infrastructure, especially the motorroads R2, R3, R4 and R7.
National Programme of Reforms 2016	Construction of highways and motorroads, modernization of first class roads and railway corridors.
	Making public passenger transport more efficient.
National Programme of Reforms 2017	Implementation of the results of the transport expenditure review.
	Making the public transport more effective.
	Construction of highways and freeways, modernization of first class roads and railway corridors.

Source: Strategy and Analysis Department

Since the establishment of the SR, the Government has committed itself to reduce regional differences across the country in all its program declarations, and the transport sector has been defined as one of the government's priorities. However, after 25 years of the emergence of the Slovak Republic, the regional differences are still very high and it would be appropriate to perform a good comparative analysis of the regional differences in Slovakia from 1993 to 2018. It would be possible to accurately quantify how this important area has actually been changed.

The Government's 2016-2020 Programme says: "The Government is committed to maintain high pace in the construction of highways and motorroads. The construction of the D1 highway between Bratislava and Košice is still the most important priority of the Government in the road construction. The Government's goal is to enable the motorist community to use all the D1 highway sections from 2020." Despite this ambition, the Ministry of Transport now recognizes that the merger of the Western and Eastern metropolis will be a reality due to problems with the expropriation of lands or terrain subsoil not before 2026^[41]. Slow construction of the D1 highway, less developed road infrastructure and relatively large regional differences pose a high risk in the Government's attempt to attract significant investments to Eastern Slovakia.

Picture 18 Number of cars (per 1000 inhabitants)



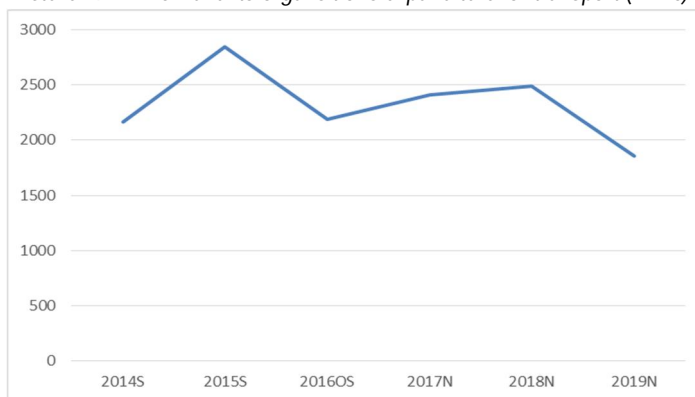
Source: Eurostat

Under NPR 2016 and NPR 2017, the government in the transport infrastructure has defined the main measures in the construction of highway and motorway sections and the construction, renewal and maintenance of Class I roads and rail corridors. "Traffic priorities will be determined for the first time by the national multimodal transport model. In public transport, the systematic increase in the importance of rail transport and the efficiency of public passenger transport will continue." Compared to the other V4 countries, the increasing degree of automation (the number of cars per 1000 inhabitants) suggests that individual car transport may still grow (Picture 18).

The Government's intention is to approve the so-called "investment exemption" to allow the Cabinet to circumvent the debt brake institute in the construction of national significance road infrastructure; though, the approval of this law requires a constitutional majority in Parliament - 90 votes, and thus the co-operation of more political parties than those in the Government coalition. From NPR 2016 and 2017, the Government also wants to streamline and modernise railway corridors or invest in new train sets. To improve the quality of rail transport, there is also great pressure from the public, which regularly makes complaints about delayed connections or obsolete wagons in some sections. NPR 2017 also states in its action plan the creation of a National Transport Authority: "A Transport Authority will be set up to ensure the coordination of passenger train, suburban bus and, eventually, urban public transport. The transport service plan of the Slovak Republic to be processed within the framework of the National Transport Master Plan is to become the basic programme document for the the transport authority activities. "The establishment of such an authority is also envisaged by the EU, with the new organizational component being called the National Transport Agency (NADA). Transport coordination should help resolve congestion problems in catchment areas, primarily around the capital city.

Part of the RVS for the years 2017 to 2020 has also been the revision of SR expenditure on transport ^[42]. The purpose of this 2.3% of GDP revision was to "prepare measures to streamline the current investment envelope while preserving its size and streamlining unit operating costs in the MDV SR chapter in a sustainable manner." On the basis of such a review, the saved funds could be redistributed to a better quality, thereby avoiding the so called *price scissors effect* in the context of regional differences. The development of transport costs is shown in Picture 19.

Picture 19 MDV SR and its organsitions expenditure for transport (mil. €)



Source: RVS for 2017 - 2019

Suggested topics:

- Fulfillment of the main and sub-targets of the National Reform Programme 2017 in the field of transport infrastructure, the implementation of the plan for the construction of freeway sections and motoroads.
- Efficiency and effectiveness of spent funds for the construction, repair and maintenance of bridges on the roads of II. and III. class.
- Implementation of the results of the review of transport expenditure with a focus on rail transport.
- Consistency of the legislative process for the expropriation of land in the public interest for constructing the road infrastructure.

4.8.2 Informatisation of public administration

Informatization is a cross-cutting topic which has a major impact in particular on the areas of public administration, health, science, education, transport and employment. It should also be noted that IT is also susceptible to risk under the INTOSAI Performance Checklist ^[2]. It is a very frequent topic in the strategic documents for the SR - its occurrence in individual documents is summarised in Table 19.

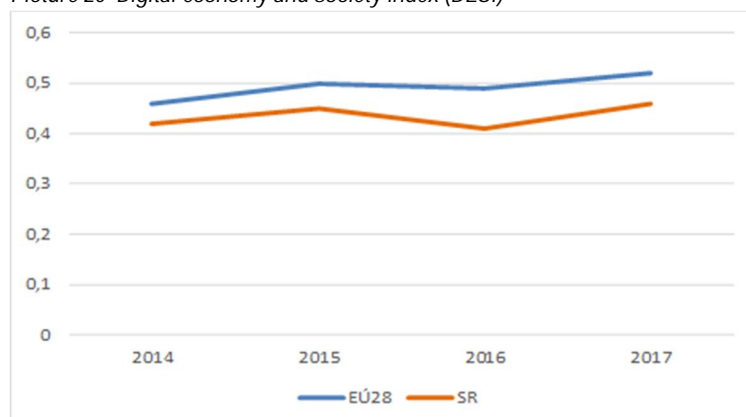
Table 19 Selected topics from strategic documents related to

Area	Informatisation of public administration
UN - 17 SDGs	Goal 9: Significantly increase access to IKT and make effort to supply general and affordable internet in the least developed countries before 2020.
	Goal 16: Create effective, responsible and transparent institutions on all levels.
Strategy Europe 2020	Digital programme for Europe to speed up introduction of broadband internet and use the advantages brought by unified digital market for households and enterprises.
Government Programme Statement 2016-2020	Increase transparency and effectiveness of public sources investments into informatisation of the society to maximise the benefits for Slovak citizens and entrepreneurs.
National Programme of Reforms 2016	Payments for diagnostics DRG
	e-Health implementation
National Programme of Reforms 2017	Implementation of IT Revision Results
	Electronisation of the public administration.
	e-Health implementation

Source: Strategy and Analysis Department

In the area of informatisation, it is worth pointing out that Slovakia continues to lag in the informatisation of the public sector to the EU average but also to neighbouring countries, especially in digital services to the public and in the availability of broadband Internet access. According to DESI, the index of the digital economy and society, at the end of 2017 SR ranked 20th in the EU 28, in the digital services provided by the State it was 23rd place. Slovakia belongs to a group with weaker results. In 2017, in its report ^[13], the EC drew attention to the fact that e-procurement is advancing, but its IT environment is still suboptimal. Development of DESI over the last period compared to the EU is shown in picture 20⁵.

Picture 20 Digital economy and society index (DESI)



Source: EC

It is also noteworthy that the Department of Value for Money at the Ministry of Finance focused in 2016 on the revision of expenditures used for informatization of the society ^[43]. In its final report, it states that the average annual public sector spending on IT for the period 2010-2015 has reached approximately 500 million EUR and in 2011 the Slovak Republic gave IT the highest share of the state budget (2.5%) and the second highest share of GDP (0.6%) from the OECD countries. Nevertheless, these investments have not been matched by the corresponding digital services for citizens.

⁵The DESI 2016 index was recalculated for all countries in order to take account of minor changes in the choice of indicators and the correction of basic data on indicators. As a result, country scores and rankings could change from the previous posting.

Suggested topics:

The purpose of audits is to verify the efficiency, economy and efficiency of spending public sector IT funds on informatisation as well as assessing the benefits and the fulfillment of the set goals of informatisation. Here are the following topics for audits:

- IT projects in the healthcare (DRG, eHealth), public administration (Electronic State Service for Citizens and Entrepreneurs and their Utilisation, Citizen Integrated Servicing, Central Electronic Procurement System (EVO), Electronic Contracts System (EKS), Broadband Internet access, Smart City, Electronic Land Cadastre Services) and in transport (Electronic Traffic Toll Coupon, National Traffic Information System, Integrated Transport System in the Bratislava Region).
- IT management and maintenance costs after termination of IT projects (e.g. projects financed by OPIS).
- Relationship to the IT project vendor after the end of the project (the possibility of managing, modifying or extending the information system to other suppliers – e.g. ownership of source codes).
- Implementation of the review of IT spending measures to bring savings to public sector expenditure on IT. Meeting the Slovak Republic obligations towards the EU in relation to informatisation.

4.9 Defense and security

The security and defense policy of the Slovak Republic is, like the informatisation, a cross-cutting topic with significant impact on the public administration. For the purposes of this material, areas of defense, public order and security were selected.

In the last two years, the security situation has changed very much in the world and in Europe. In the unanimously adopted UN Agenda 2030, it is stated that "Without Sustainable Development, there is no peace and with no peace there is no sustainable development". The EU's Global Strategy for Foreign and Security Policy, drafted in June 2016, states, "We live in times of existential crisis - both within the European Union and beyond. Our Union is at risk. Our European project, which has brought unprecedented peace, prosperity and democracy, is questioned." Crucial to defense of the country is The NATO collective defense system and the Common Security and Defense Policy of the EU are crucial to defense of the country. The issue of security is mainly found in the Slovak National Strategy Papers (Table 20).

Table 20 Selected topics from strategic documents related to

Oblast'	Defense and security
UN - 17 SDGs	Goal 10: To ease systemic, secure, regular and responsible migration and mobility of people, also through The implementation of planned and well managed migration policies.
Strategy Europe 2020	At national level, the member states will have to support spread and use of modern accessible service that are available on-line (e.g. electronic State administration, health service, intelligent home, digital abilities and security).
Government Programme Statement 2016-2020	The Government will prepare up-date of security strategy and defense strategy in SR.
	The Government will actively support the action by UN in catastrophes prevention, readiness and resilience against them especially the Sendai Framework to reduce the catastrophes consequences in 2015 – 2030.
	The Government will actively support the European community steps in fulfillment of European programme in security field in 2015 – 2020 focusing on three priorities: terrorism, organised criminal activities and computer crimes.
	Long-term conceptual solution to foodstuff security in SR and share of the Slovak foodstuff products In the market made from local sources.
	The Government will prepare new legal regulation and organisation of intelligence services.

Source: Strategy and Analysis Department

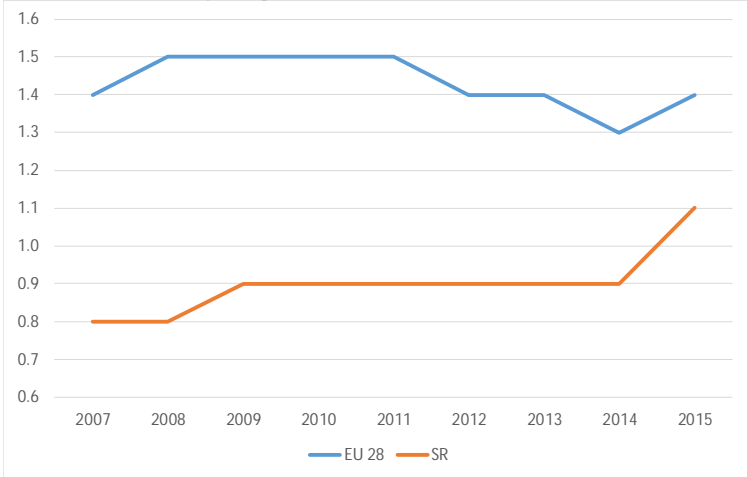
Slovakia will be the OSCE's presiding country next year (2019). The joint declared goal of all OSCE participating States is to maintain peace and security in the OSCE region by mutual cooperation. The current most serious conflict in Europe is the conflict in Ukraine. The OSCE is a key actor in resolving this conflict, and Slovakia, as the presiding country (and at the same time a country with a common border with Ukraine), can significantly help in peace-building in 2019. Solving this conflict is the most important priority for us during the presidency with regard to the political-military dimension. Within the economic-environmental dimension, SR will be orienting, for example, on energy efficiency and critical infrastructure protection, and within the human dimension dimension, for example, improving the situation of Roma and Sinti.

On 11 December 2017, the EU Council adopted a decision to establish permanent structured cooperation between the EU Member States in the field of security and defense (PESCO). Slovakia is also participating in this cooperation. This permanent framework for defense cooperation will allow those Member States that want and are able to jointly develop defense capabilities to invest in joint projects or improve the operational readiness and contribution of their armed forces.

The London research institute Legatum regularly publishes the Global Prosperity Index (LPI), which evaluates the most prosperous countries in the world. In this survey, the Institute takes into account many indicators, such as the amount of money that each country has or its security. The Institute has drawn from the 149 countries data a stand-alone safety ranking at the national level, as well as the personal safety of the population. Slovakia ranks 3rd in the V4 countries ^[44].

Developments in defense spending show that a commitment to NATO, designating 2% of GDP for the Chapter of the Ministry of Defence, has not been respected, with spending stagnating at 0.9% of GDP between 2009 and 2014. In 2016, the share of defense expenditure was 1.16% of GDP. Picture 21 depicts the development of defense and civil protection expenditures (including ZPP and VVO) in the SR compared to the EU.

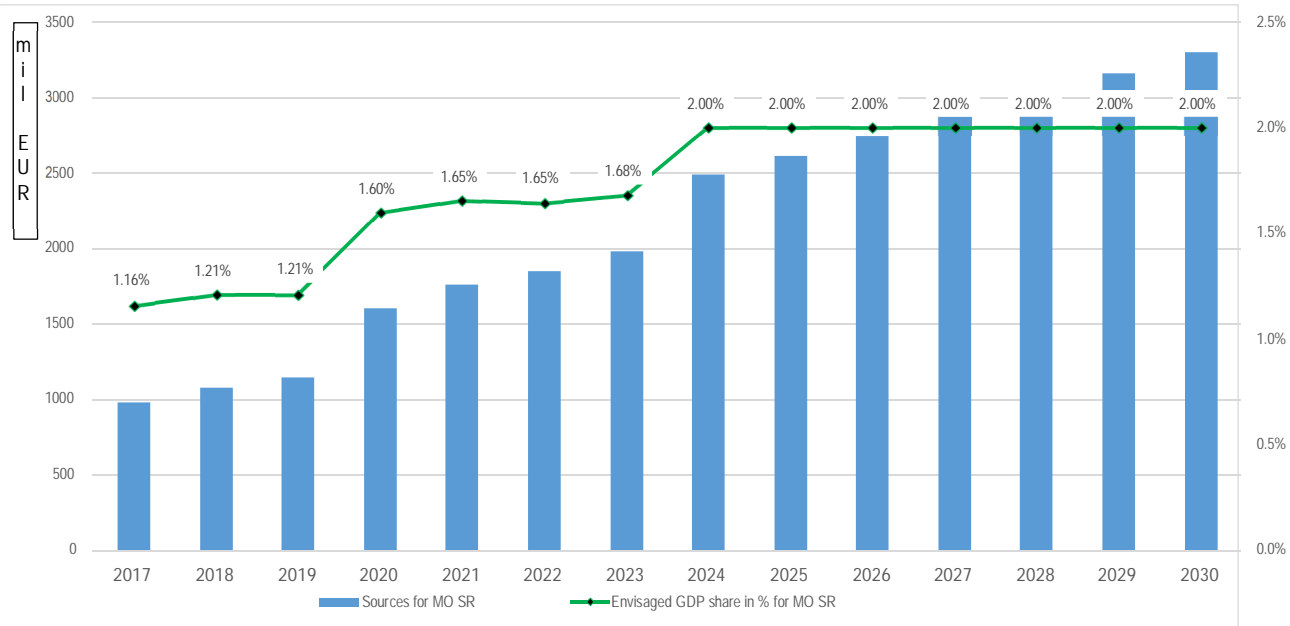
Picture 21 Defence spending (% GDP)



Source: Eurostat COFOG

On October 4, 2017, the Slovak Government approved the new Security Strategy of the Slovak Republic, which is a basic document of State security policy. The strategy reflects the dynamic development of the security environment, responding to the increasing severity, intensity, interconnection and global impact of security threats as well as erasing borders between internal and external security. It is based on the values and principles of SR. It identifies its security interests, characterises the security environment and sets out a way to promote its security interests through security policy. Following this document, the defense and military strategy was approved by the Government. Based on these strategic documents, the draft of a long-term defense development plan with emphasis on the construction and development of the Slovak armed forces with a view to 2030 was adopted. The volume of planned expenditures exceeds 30 billion EUR. (Picture 22). In this document, an unprecedented proposal for the development of defense spending was adopted. The development of expenditure for the years 2018 to 2020 was also reflected in the draft of the public administration budget for 2018 to 2020.

Picture 22 Planned resource for defense 2018 - 2030 (mil. EUR)



Increasing spending on defense of the Slovak Republic must go hand in hand with their economical, efficient and efficient use. The shortcomings in this area were also highlighted by the SAO SR audit in 2016.

Suggested topics:

The following questions are considered being key themes:

What are the commitments of the SR resulting from the new permanent structured cooperation of the EU Member States in the field of security and defense (PESCO)?

What is the competence of the SR security system with regard to:

- unified management system in all crisis situations,
- identifying the emerging crisis situation and ensuring early warning of SR,
- preventive action against the emergence of crisis situations and, in case of their occurrence, elimination at the beginning,
- the functioning of the data protection and security system,
- responding to the most likely threats and adapting to changes in the security situation of the SR,
- Responding to unexpected threats, ensuring rapid resolution of the consequences of the crisis situation?

The following topics are being suggested:

- Fulfillment of the stated goals in the field of the State security policy resulting from the Government approved material Security Strategy of the Slovak Republic (2005) as well as from newly established and Government approved material Security and Defense Strategy of the Slovak Republic (2017).
- Privacy, personal data and civil protection areas, in line with United Nations Agenda 2030 as well as PVV 2016.

5. EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

Cohesion policy is an EU strategy to help and promote the overall harmonious development of the EU Member States and regions to reduce regional disparities. From the point of view of the Slovak Republic, it is not an independent public policy, but an important instrument of financing selected public policies, therefore it has been included in the material as a separate chapter.

The European Structural and Investment Funds (ESFS) were designated by the Government of the SR as a priority area in the PVVs for 2012 and 2016. While the EU Council Recommendations of 2015 identified a number of weaknesses in EU funds, notably the lack of management of project planning procedures, non-compliance with environmental impact assessments and the adaptation of public procurement to certain applicants, the Council Recommendations of 2016^[10] and 2017^[11], on the other hand, state that all previous recommendations were taken into account in the ESFS programming for 2014-2020. In the public procurement still resonates the problem of over-use of the lowest price criterion and tailor-made specifications that lead to restrictions of competition based on qualitative criteria.

According to the Country Report of 2016^[12], the experiences of the completed programming period 2007 - 2013 revealed several shortcomings like insufficient administrative capacities, lack of high-quality project proposals, delays in start of implementation, complex programming and implementation structures as well as poorly functioning monitoring and evaluation tools. Most of these deficiencies are expected to be resolved thanks to the newly introduced performance-oriented framework. This is a rule according to which the EC will allocate 6% of the allocation of the OP (so-called performance reserve) only after the performance of the OP has been assessed on the basis of the fulfillment of the sub-objectives on the individual priority axes as of 31.12.2018, which the individual Ministries will document in 2019 annual report. In the case of non-fulfillment of the partial objectives, the operational programs may lose some or all of the volume of the performance reserve.

The Country Report of 2018^[50] states that the implementation of the 2014-2020 programming period is slow. The reason for delays in implementation, according to EC, can be seen in poorly managed process management during the onset of projects at the time of transition between the programming periods. This includes in particular actions related to the setting up of functional management and control systems, the fulfillment of ex-ante conditionalities and the development of implementation documents, including project evaluation and selection criteria and guidelines for beneficiaries. As most of these requirements are already met, the EC expresses expectations in this report that the selection and implementation of quality projects will be accelerated, bringing tangible results. The EC also notes that the effectiveness of EU fund management remains limited, highlighting the high turnover of employees in the State administration, which is an obstacle to ensure continuity and guaranteeing appropriate expertise. Also, as a result of the final forfeits, part of the funds from the allocation for OP Research and Innovation in 2017 amounting to more than 26 mil. EUR points out that, if no appropriate measures are taken to speed up implementation, there is a further possibility of loss of parts of allocated funds.

Of the total volume 15.49 bil. EUR earmarked under the ESFS for 2014-2020, 11.28% were assigned^[45] as of 31.12.2017. The year 2017 was marked by the need to meet the first financial milestone, consisting in the need to use the national level and declare the EC commitment appropriations for 2014. As of 31.12.2017 this milestone was not fully met for the OP Research and Innovation, which will lead to cancel the part of the earmarked EC allocation, estimated at 26.9 million EUR⁶. A summary of individual program implementation drawings at the end of 2017 is shown in Table 21.

Year 2018 will be key in view of drawing on the ESFS, since, in addition to the use of the annual commitment for 2015, the partial objectives of the performance framework will have to be met. Serious shortcomings in the implementation of the sub-targets set for the priority axes under the operational programmes may lead to EC payments being suspended.

⁶ <https://www.vicpremier.gov.sk/wp-content/uploads/2017/05/Informacia-o-stave-implementacie-ESIF-k-31-12-2017.pdf>
The information on the final volume of funds forfeited under OP Research and Innovation is not yet approved by the EC.

According to the Ministry of Finance⁷, only 9.74% of the total allocation (excluding the Rural Development Program of the Slovak Republic) ^[46] was allocated as of 31.12.2017, which is approximately one quarter lower than the cumulative of EU funds for the 2007-2013 programming period ^[47] for a four-year period of eligibility.

Table 21 Use of OP of the programming period 2014 – 2020 at 31.12.2017

Operational programme	Managing organ	Allocation from EU in EUR	Use by 31.12.2017 in EUR	Share of allocation from total by 31.12.2017 in %
Programme of rural development	MPRV SR	1 559 691 844	390 772 835	25,05 %
Technical support	ÚV SR	159 071 912	28 873 489	18,15 %
Integrated infrastructure	MDV SR	3 949 210 563	671 825 910	17,01 %
Human resources	MPSVR SR	2 217 348 081	288 418 320	13,01 %
PS INTERACT III	BSK	39 392 594	3 979 780	10,10 %
Quality of environment	MŽP SR	3 137 900 110	182 934 144	5,83 %
Effective public administration	MV SR	278 449 284	12 834 217	4,61 %
Integrated regional OP	MPRV SR	1 738 834 120	79 898 559	4,59 %
Research and innovation	MŠVŠ SR	2 231 032 482	88 295 345	3,96 %
Fisheries	MPRV SR	15 785 000	0	0,00 %
Interreg V-A SK-CZ	MPRV SR	90 139 463	0	0,00 %
Interreg V-A SK-AT	MPRV SR	75 892 681	0	0,00 %
total		15 492 748 134	1 747 832 597	11,28 %

Source: The Office of the Vice Prime Minister SR for investments and informatisation ^[43]

In the case of the evaluation of the implementation of the OP of the completed programming period 2007 - 2013, it can be concluded that the irregularity was a significant reason for the insufficient use of the allocated allocation. The irregularities and returned funds registered in the OP at the deadline for sending the final documentation to EC amounted to 795.48 mil. EUR ^[48]. If this expenditure were justified, drawing on the total allocation would increase to 99.49%⁸ of the 97.01% ^[49] recorded. For the above reasons, in order to create the conditions for use of the allocated allocation, it is crucial to adopt and implement effective measures to prevent irregularities in the current 2014-2020 programming period.

The SAO SA, within ESFS audits carried out, has identified weaknesses in the area of internal control mechanisms, which are related to an inadequate system of monitoring and evaluation of the achievement of the objectives and indicators of projects. In auditing the implementation of the calls, the SAO SR has identified serious shortcomings in the professional evaluation process with violation of the principles of objectivity and transparency, when the request for non-repayable financial contribution was assessed by a specialist from another professional area, who had a possible conflict of interest and this person was selected on the basis of availability and not according to attained knowledge and practice. It resulted that the individual projects were assessed in a very subjective manner, and not in accordance with the principles of effectiveness, efficiency, effectiveness and non-conflict of interest.

On the basis of the above problematic areas, it can be stated that, as in the previous programming period, the Slovak Republic is at risk of not using the allocated EU funds, not only because of insufficient funds, but also due to the insufficient quality of use associated with the violation of EU legislation and national legislation, including the principles of economy, efficiency and effectiveness. These findings will constitute unauthorized expenditures that will reduce the total use of the ESFS and are associated with the risk of creating additional requirements from the Stat budget SR.

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⁷ The Ministry of Finance fulfills the role of certification body for 11 ESFS operational programs, without the Rural Development Program.

⁸ In the case of the OP, gross funds for use (ie approved expenditure in aggregate payment requests without clearing irregularities and returned funds) above 100% of the allocation, the use of the allocation (ie 100% use) was taken into the account. Irregularities make up almost 83% of the unspent funds, the remaining 17% constitute funds that the ministries did not manage to declare within the set time limits.

quality of drawing associated with the violation of EU legislation and national legislation, including the principles of economy, efficiency and effectiveness. These findings will constitute unauthorized expenditures that will reduce the total use of the ESFS and are associated with the risk of creating additional requirements for payments from the State budget SR.

In order to increase transparency and simplify the implementation of EU funds, the CKO in 2017 introduced a series of measures aimed at ensuring a transparent evaluation process, mandatory evaluation of projects by expert groups, risk prevention and for applicants and beneficiaries of non-repayable financial contributions to simplify administration of preparation and implementation projects. The CKO monitors the implementation of the measures through an action plan that contains a total of 38 measures across 26 areas.

Given the fact that EU funds represent an important source of public investment financing in the country, it is essential to ensure that they are effectively used. The SAO SR, as an independent auditing body, will, within the framework of its competences, put in place, through its findings and recommendations, the pressure for efficient, cost-effective and efficient spending of EC funding.

Suggested topics:

In particular, the audits should focus on the efficient, efficient and efficient use of EU funds as well as on the functioning of their management, implementation and control systems:

- Reliability of internal control and audit mechanisms.
- Ensuring the principles of sound financial management (value for money) in the process of approving and implementing projects.
- Existence of the implementation of appropriate measures (as a result of recommendations from SAO SR audits).
- Existence of effective preventive mechanisms to prevent the occurrence of irregularities accepted by the managing or intermediary body.

CONCLUSIONS AND RECOMMENDATIONS

The following strategic areas of public policies were defined for the audit activities of the SAO SR for 2018 – 2020: Education, Research, Development and Innovation, Effective and Transparent Public Administration, Health, Employment and Entrepreneurial Environment, Sustainable Consumption and Production, Energy Efficiency and Environmental sustainability, Sustainable Public Finance and Fiscal Policy, Social Policy, Transport Infrastructure and ICT, Defense and Security. Given the volume of resources, the European Structural and Investment Funds, the key sources of funding for the implementation of public policies, form a specific area.

The SAO SR instrument for the fulfillment of its strategic mission is audit (control), which is an integral part of the management of public funds. Its role is to timely signal deviations from standards, breach of laws, failure to meet the requirement of efficiency and economy.

The SAO SA uses three types of audits: controls: compliance, financial and performance. Currently, compliance and financial audits are dominant. Assurance under financial audit is performance audit. Their purpose is to evaluate the efficiency, economy and effectiveness of public decisions and, following the "value for money" notion, should complement the future work of the SAO SR. Aspects of compliance and financial audits will therefore need to be combined with performance audits, in which case combined controls will be carried out. The aim of the combined audit is to obtain a coherent and true picture of the state of the controlled entity implementing public policy and, at the same time, the state of fulfillment of the stated objectives of the policies, their efficiency, effectiveness and cost economy.

Compliance audits as well as financial audits are particularly important in audit activities that respond to current social problems and the suggestions from citizens or other State and public authorities. In such cases, the opinion by the SAO SR is expected, objective information about the level and status of management of an audited public entity with respect to the application of applicable legislation, the integrity and compliance of its processes, the financial management of public funds and public assets entrusted to management of the entity, and the objectivity and accuracy of reporting.

In order to subsequently evaluate relevant public policies in the proposed strategic areas and audit their implementers, it is essential to know and correctly apply international audit standards for different types of audits, integrate them into combined audits and take into account the "value-for-money" attributes from the audit planning process and the audit preparation, the choice of the correct audit procedures, the selection of objectives and the evaluation methods up to the stage of implementation and interpretation of the results for the beneficiaries of the audit reports.

From the proposed strategic areas, three to four main priority areas will be defined for the establishment of the annual plan, taking into account the current social development, also according to the Office's staff capacity and expertise. Selection for individual years will also be based on audit findings from previous years. It will also take into account the significance of the area that will serve to determine the scope of audit in the given area.

In the process of creating an annual audit plan, another determinant of audit plan is the risk catalogue in accordance with relevant standards and procedures and monitoring the development of public policy and program budgets implementation, as well as external inputs and experience from previous audit activities.

The strategic objective of the audit activity in view of the types of audits carried out is, on the basis of international recommendations, to attain the position that the share of combined and performance audits in the overall audit activity of the SAO SR in the medium term, in 2020, was around 50%. For independent financial audits, the target is to achieve a share of the total annual control activity of around 30%, a further 10% should be compliance audits, and 10% represents a capacity reserve in the audits for current social issues that may occur during the year, and to which the SAO SR is obliged to respond.

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