REPORT AUDIT ACTIVITIES RESULTS IN 2019

SUPREME AUDIT OFFICE OF THE SLOVAK REPUBLIC

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Abbreviations

EC	European Commission
EU	European Union
EUROSAI	European Organisation of the Supreme Audit Institutions
GDP	gross domestic product
INTOSAI	International Organisation of the Supreme Audit Institutions
INCOSAI	INTOSAI congress
IS	information system
IS PA	information system of the public administration
MTC SR	Ministry of Transport and Construction of the Slovak Republic
MF SR	Ministry of Finance of the Slovak Republic
ME SR	Ministry of Economy of the Slovak Republic
MARD SR	Ministry of Agriculture and Rural Development of the Slovak Republic
MLSAF SR	Ministry of Labour, Social Affairs and Family of the Slovak Republic
MESRS SR	Ministry of Education, Science, Research and Sports of the Slovak Republic
MI SR	Ministry of Interior of the Slovak Republic
MZ SR	Ministry of Health of the Slovak Republic
MEN SR	Ministry of Environment of the Slovak Republic
NRFC	non-repayable financial contribution
SAO SR	Supreme Audit Institution of the Slovak Republic
OP	Operational programme
RDP	Rural Development Programme
SR	Slovak Republic
SB	State Budget
s. e.	State enterprise
jsc	joint stock company
HTU	higher territorial unit

INTRODUCTION

The obligation to submit to the National Council of the Slovak Republic a Report on the results of audit activities arises from the SAO SR Act establishing the Office in 1993. Every year, the Report informs the MPs of the supreme legislative body how the controlled part of the public resources was used in our country intended not only to meet the common needs of public administration bodies and organizations, but also their sustainable development.

This image is not always what society wants and needs. Every year, the reports illustrate examples of uneconomical, inefficient and ineffective use of funds in state and local government organizations, state-owned enterprises, state-owned joint-stock companies or entities in which the state has an equity interest or which fulfill the public interest. Too often, the audit findings point to non-compliance with the budgetary rules as the basic framework for the transparent and efficient use of appropriations.

The purpose of the SAO SR (further also Office) is not only to point out these shortcomings - that would be too little. It is equally important that, in particular, the substantive issues raised by the audit should also be tackled in order to take decisions that change governance for better.

The national parliament and the government have an irreplaceable role in improving social governance towards sustainable development. In order to fulfill their social functions, these bodies need to know the significant results of the SAO SR audit, the causes of problems and deficiencies. They can use them as a reason for legislative changes or for taking measures that prevent the recurrence of problems that reduce the efficiency of public administration in time. If the problems raised in the long term by the audits are not addressed by the responsible authorities, there is a risk that the 'street' with all the consequences of such action will address them.

The increasingly complex problems of society sustainable development require a number of sectoral and transversal policies to participate in their solution, as challenging and complex problems require holistic solutions. Audit experience shows that applying a cross-sectoral, holistic approach to problems is a significant weakness in the management of social development. The SAO SR sees this weakness as one of the main reasons for the low efficiency of public policies and institutions. In 2019, there were about 300 sectoral strategies in Slovakia, without interdependence, insufficiently substantiated objectives and tools for achieving and evaluating them. However, Slovakia urgently needs to adopt a development strategy that will also integrate regional and territorial development issues, thus creating the basis for long-term strategic planning and management at national, regional and local levels.

A specificity to the submission of the *Report about the Audit Activities Results of the SAO SR in 2019* (further Report) for the National Council of the Slovak Republic meeting is the fact that we are submitting the report to the new Parliament, which arose from this year's February elections. In addition to those Members who have had the opportunity to familiarise themselves with our reports in the past, there are also new members in the current composition of the Parliament, who are meeting this summary information about the Office and its audit work for the first time. Therefore, also through this report, we want to emphasize the importance of the SAO SR mission in the system of state authorities, and how the Office fulfills this mission in relation to the National Council of the Slovak Republic (Parliament).

The Report, in addition to information about the most important results of the audit activity, can find out what strategic activities the SAO SR is pursuing to focus the audit activity on the substantial and significant problems in spending public resources. Among other things, the reason for such information is the fact that the SAO SR budget is approved by Parliament, and therefore we consider it appropriate that the intentions of the Office should be known to MPs.

The aim of the SAO SR is that the audit achieves all attributes of high professionalism, expertise, objectivity and comprehensibility, not only for the professional, but also for the public. Only such auditing can become an essential condition for improving the management of the audited entities towards a higher quality of their activities, but in particular, for a more qualified management of social processes that will result in a well-managed society. The SAO SR also tried to fulfill this vision last year and the results of this effort are the content of the report.

1 BUILDING TRUSTWORTHY AUDIT INSTITUTION

1.1 SAO SR DEVELOPMENT STRATEGY UP TO 2025

The frameworks in which the SAO SR performs its activities are defined by the Constitution of the Slovak Republic and Act No. 39/1993 Coll. on the Supreme Audit Office of the Slovak Republic. The position of the SAO SR in the system of audit institutions of the SR is exceptional in that the results of its audit activities are intended primarily to serve the national parliament and the central government to improve governance. This is because the Office has a broad mandate to assess the public resources used and, on this basis, draws up opinions on the draft State Budget, the government final account and the report on the outcome of the annual audit activity. It is a supervisory body independent of the executive. Depending on the recommendations and findings by SAO SR, deputies in the Parliament may set the executive institutions a mirror of the success of key public policies, the effectiveness of development projects or the fulfillment of their obligations towards European and international institutions.

The fulfillment of this SAO SR irreplaceable role was significantly helped by the amendment to the Act from last year, which allows the Office not only to submit all audit reports to **the individual Parliament committees for information, but also to discuss and adopt resolutions on the most important findings.** The new rules for dealing with the outputs of individual audits thus actively involve the system of control by MPs and within a democratic society, this creates a wider space for control of the government, central state bodies, public corporations, but also regional or local self-government. Based on this, the National Council of the Slovak Republic, through its committees, will be able to respond more flexibly to the audit results by any necessary legislative changes and thus contribute to a more transparent use of domestic and European funds or state property.

If the SAO SR **wants to remain an accepted national authority for external auditing not only at home but also abroad**, it must respond adequately to the new challenges posed by the audit. The need for a major restructuring of the work of national audit authorities is underlined by all international organisations associating the supreme audit institutions of Europe, but also of other countries in the world. As a priority, the Office must focus on the significant problems and risks of using its own and international public resources to achieve the 2030 sustainable development goals to which our country has subscribed.

Therefore, it is important for the SAO SR to focus more significantly to the area of public policies at the national and regional level, on the ways of setting the objectives of their policies, resource provision, management and evaluation of results and impacts. The fulfilment of international obligations to which Slovakia has committed itself is becoming an extremely important area of audit activities. The clear and comprehensible conclusions of such audits will provide public policy makers with an objective picture of whether and how the objectives set are being met, what the causes of non-compliance are, and how the resources have been used effectively, economically and efficiently to achieve the objectives. Only such focused audits can be an important part of state management, which, however, requires more flexible action by the SAO and its employees, individually and in teams. This is also because audit institutions are expected to be, in addition to audit activities, more significantly involved in analytical activities, provide various forms of counselling and consulting activities, engage in research of audit methodology and methods, etc.

The SAO SR Development Strategy for 2020 - 2025, adopted last year, is a systemic tool for making the necessary changes strengthening the expertise, professionalism and quality of audit work. It reflects on all significant factors that affect the Office's operations today, as well as those that may affect its operations in the coming years. Therefore, in the coming years, it will be important that

- audit activities focus on problems with high degree of significance and importance in achieving the sustainable development of Slovakia,
- development of the Office's human resources is geared towards higher quality, expertise and professionalism,
- effective communication with all stakeholders reinforces confidence in the work of the Office,
- sources used by the Office bring added value.

Fulfilment of these goals is a necessary condition for the SAO SR to provide all interested parties with such outputs that will enable to manage better our society, i. e. to use the country financial and human resources more economically, efficiently and effectively.

1.1.1 HIGH DEGREE OF SIGNIFICANCE AND IMPORTANCE OF AUDITED RISKS AND PROBLEMS

All international events and activities related to the activities of Supreme Audit Institutions (further also SAIs) point to the need to focus audit activities on new challenges and problems formulated in important documents of the UN, EU institutions or national strategies for sustainable development. It is clear that, in addition to environmental problems, the development of all types of infrastructure, poverty problems, including poverty in whole regions and in developed countries, access to water and drinking water in particular, access to land, demographic problems, youth unemployment are becoming more serious along migration, the structure of education and a range of other issues. Many of these problems also affect Slovakia to a greater or lesser extent. At their summit in New York in September 2015, UN member states approved a historic document entitled "Transforming Our World: The 2030 Agenda for Sustainable Development". It is the UN Development Program for the period 2015 to 2030, which consists of 17 Sustainable Development Goals (SDGs), which respond to the above-mentioned problems of UN member states.

The Government of the Slovak Republic by Resolution

no. 273/2018 approved a set of six national priorities, which adapt Slovakia's commitment to the 2030 Agenda to national conditions. The priorities of our country, which **will also become the priorities of the SAO SR audit activities in the medium term, are:**

- Education for dignified life
- Towards a knowledge and environmentally sustainable economy in the face of demographic change and a changing global environment
- Poverty reduction and social inclusion
- Sustainable settlements, regions and landscapes in the context of climate change
- Rule of law, democracy and security
- Good health.

The need to **develop audit activities towards national priorities** was also highlighted by XXIII. INCOSAI Congress, held in Moscow in September 2019. The adopted Declaration emphasises, inter alia, that national audit institutions face **challenges related to the development of information technology for data processing**. New information systems and repositories of publicly available resources give auditors new opportunities for more rational and effective evaluation of public policies, often without burdening auditees with their presence. Digitisation and informatisation also enable audit authorities to perceive, anticipate and manage risk factors more accurately in all areas of social life.

The mentioned international and national documents are the mainstays that the SAO SR has used and will use in fulfilling the strategy of audit activities focused on significant and important problems and risks achieving the set goals. Orientation to such an internationally recommended audit focus and the use of new technologies also bring much more opportunities for the implementation of international audit actions and the subsequent comparison of results and indicators of evaluation of set objectives. **The SAO SR will thus provide more benchmark information, information on good and bad practice in individual countries, which can serve the parliament and the government achieving the set goals in more effective and efficient way**.

Such ambition of the Office requires a consistent continuation of all previous positive experiences from audit activities, the quality of which was confirmed by the process of quality assessment using the PMF (Performance Measurement Framework) methodology, which the Office underwent in the past period. The evaluators were experienced auditors from the Czech SAO and **the evaluation report proved that the quality of the SAO SR audits reach the required level in accordance with international standards.** However, fulfilling the strategic direction of audit activities requires the Office to prepare its employees to cope with new requirements and challenges through a wide range of educational activities. In particular, it is about strengthening the quality of audit performance based on the expertise, professionalism and communication skills of employees.

Picture 1: Taking over the report with the results of the SAO SR quality assessment in PMF methodology by SAO SR President K. Mitrík from the hands of Miloslav Kala, President of the Czech Audit Office

1.1.2 HIGHER QUALITY, EXPERTISE AND PROFESSIONALISM IN HUMAN RESOURCES

Fulfilment of the strategic direction of audit activities needs that the Office **prepares employees to cope with new requirements and challenges** with the whole spectrum of personnel and training activities. These do not only concern the required audit focus, but especially the quality of its performance, based on the expertise, professionalism and communication skills of employees. Therefore, the Office pays attention in longer time framework to the development of knowledge and skills of its employees, but also to the building of new support departments allowing greater use of analytical and communication tools in the audits and presentation of its results. Without new work profiles based on knowledge from economics or law, but also on knowledge from sociology, psychology, communication, computerisation, management, etc., it will not be possible to build teams of "auditors of the future". The Office responded to this call in 2017 and launched the *National Project of Building and Developing the Professional Capacity of its Employees*. Over the course of 2018 and 2019, more than 150 auditors were trained to perform various types of inspections, analysts and expert employees of the SAO SR, based on cooperation with experts from Slovak educational institutions and universities, but also with the participation of foreign experts. The program also included coaching groups of performance auditors in the preparation and performance of audits by Swedish experts who have extensive experience with this type of audits at home and abroad.

Within the framework of competence education, civil servants completed 105 activities. The vast majority were individual educational activities. The training of the employees in regional educational centres or at the Office of the Government of the Slovak Republic within the Operational Program Technical Assistance was also successful. One of the most important educational activities is a cyclical training program for performing all three types of audits. The lecturers from Slovak and Czech universities cover the training program. In 2019, the second year of this two-semester program was implemented. For the future, in addition to the national project activities, other educational programs are prepared for implementation aimed at developing and improving the audit, management and communication knowledge and skills of the Office employees in accordance with the adopted strategy.

Picture 2: Top Swedish expert Tony Angleryd passes on to the auditors his experience in performance audit within the national project Building and Development of Professional Capacities of the SAO SR

Moving towards higher quality, expertise and professionalism in all activities of the Office requires that civil servants be motivated more to such values than ever before. "Trust, but check" is an old wisdom that also applies to knowing the extent to which individual values have been acquired and used by individual employees. It is not enough just to complete some type of education; it is important how new knowledge is applied in practice.

However, in the opinion of the SAO SR, **the current Civil Service Act does not create sufficient flexibility** for the Office to apply such requirements for **the verification of the employee's readiness to carry out auditing activities** as are imposed on private sector auditors, and not only at the start of employment, but also during it. Even the issue of managed and targeted **career growth is not sufficiently addressed in the law**, and it is one of

the important incentives to increase the expertise and necessary skills of government employees.

At the end of 2019, the SAO SR had 296 employees, of which 285 were civil servants and 11 were in the public interest employment. At the headquarters, there were 164 employees and their number at regional workplaces reached 132. Women, who make up 60 %, dominate the structure of employees. Equal treatment of women in the Office is reflected by a fact that women have filled almost 60 % of management positions.

The age structure of employees is important for the Office strategic development. The average age of employees was 49 years. Low representation - only 3 % are employees under the age of 30. The strongest group of employees is between 30 and 50 years of age - it makes up 54 %. The oldest age group, i.e. j. 60+ has a 12 % representation in the age structure. This situation is also reflected in the employees' structure according to the number of years of their work at the SAO SR. The structure of the data shown in the graph indicates that the Office has a significant proportion of staff working for the Office for more than 15 years. (Graph 1)

1.1.3 EFFECTIVE COMMUNICATION LEADS TO HIGHER TRUSTWORTHINESS AMONG PUBLIC

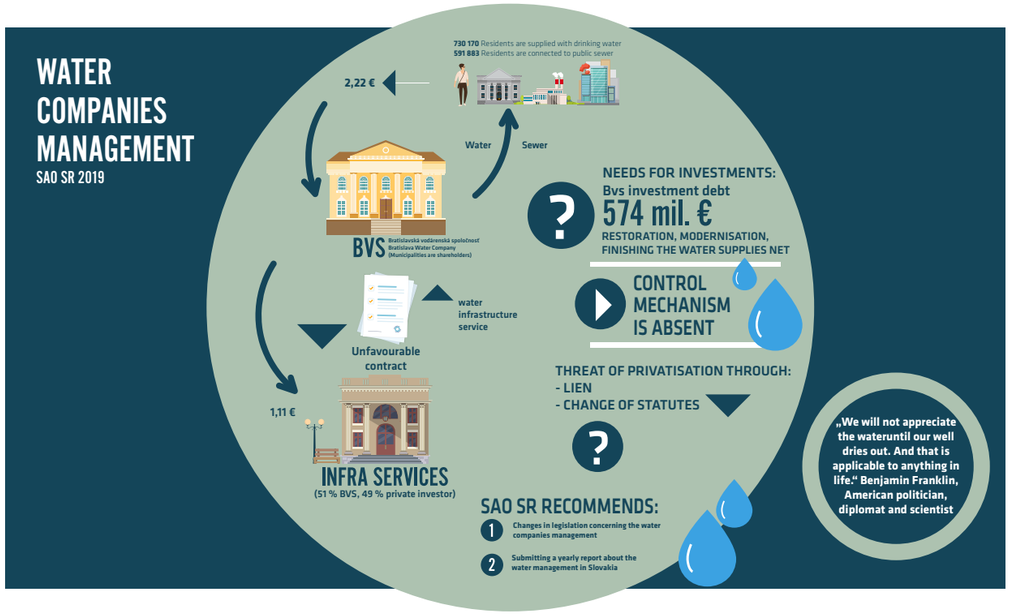
In the lights of the SAO SR competence, it is important it fulfills its mission also **through modern and open communication tools.** The Office builds its credibility primarily through a professional and expert approach to audit, but the methods of partnership communication with audited entities and other institutions or citizens are equally important. An active and balanced presentation of the results of the audit work is based on the use of comprehensible language and visualization. The results of the auditors' work are supported by the use of modern graphics or digital presentations. For this purpose, **we created a new job position "editor"**, which strengthened the department of communication and public relations. With this decision, for the first time, specialists in the areas of communication, presentation, publicity, work with the media and interactive social networks were involved in the highly professional audit environment. In order to bring the results of audit activities closer to the public, the Office publishes final audit reports, which offer citizens a view of the audit findings and recommendations in a broader context in a comprehensible language and illustrative way.

The Office President informs the highest constitutional officials - the President, the Speaker of Parliament and the Prime Minister - about the Office significant findings. Inviting the SAO SR President to the Government of the Slovak Republic meetings is also a way for the Office to inform Government members about serious problems the audit has identified in the ministries and their organisations.

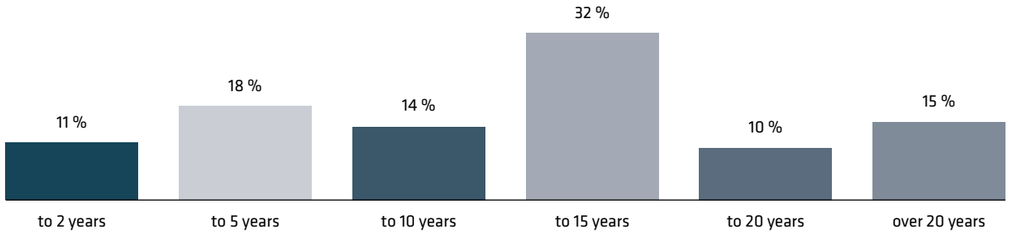
In addition to standard press releases, the Office started presenting the results of its work **using modern tools for audio and video presentations.** The SAO SR is thus one of the few offices within the Slovak Republic that communicates with the media and the public not only by traditional means, but also through a whole range of digital tools. The presentation of the Office activities online using social networks (Facebook, Instagram, LinkedIn, and Twitter) became the standard in 2019, and this step required the use of new analytical, graphic or digital skills by its employees. In the course of the calendar year, the Communication and Public Relations Department published about 300 papers and more than 50,000 readers or viewers received information. **The SAO SR uses new digital technologies when presenting the results of audit activities.** (Picture 3)

The Office official website (www.nku.gov.sk) offers not only basic information about the Office, reports of completed audits, but the website visitor can also get information about upcoming audits, audits currently underway and national and international activities. The SAO SR website is integrated into the national portal **slovensko.sk** and the Office information systems are built in accordance with the principles of the National Concept of Public Administration Informatics. In terms of bringing public control closer, the Office launched the video project "The SAO SR summer studio" in the summer months. On the other hand, the professional public can obtain information about legislative updates or outputs from the activities of the Office analytical unit. (Graph 2)

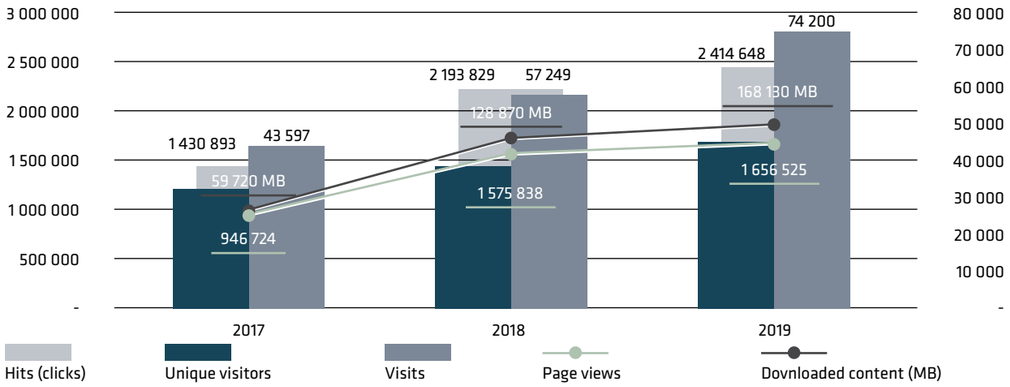
The SAO SR, in terms of its legal competencies, does not have sanctioning powers, it does not act in accordance with the Administrative Procedure Code, therefore all critical conclusions and findings from audits related to possible violations of the law are relinquished for further action by the relevant state institution. In an effort to ensure effective and efficient protection



Picture 3: Graphical presentation of key information from the audit of the Bratislava Water Company, jsc.



Graph 1: Employment length in SAO SR in 2019



Graph 2: Web site nku.gov.sk in short in 2017 until 2019

of public funds and property, the SAO SR concluded a memorandum of cooperation with the General Prosecutor's Office of the Slovak Republic and the Police Force of the Slovak Republic in 2015. The purpose of the memorandum is to improve communication and exchange of information not only after the audit, when the Office resigns factual submissions to law enforcement agencies, but also to create space for active consultative cooperation of auditors with the prosecutor's office or police in verifying possible violations of the law during the event. In 2019, the auditors identified a possible breach of duties by the statutory authority, resp. an employee of the audited entity in the administration of service flats, or in the decision-making by the representative of the self-government of the capital of the Slovak Republic in the Bratislava Water Company. **In 2019, the SAO SR filed seven criminal and 18 non-criminal notifications.**

The openness of the SAO SR to the wider public is also reflected in cooperation with professional, educational and scientific institutions, not only for consultations in the preparation, audit focus, but also for the direct involvement of experts in audits through the institute of the invited person. **The Office has concluded 28 memoranda of cooperation.** The audits new setting and a cross-sectional view of priority areas of public policies requires cooperation not only with other institutions operating in the audited field, but also with the scientific, academic community and varied associations. From auditor's point of view, it is one of the ways to join forces, how to combine several perspectives in one goal, offer audited entities, government and parliament recommendations, thanks to which they can take effective measures, model systemic changes supporting sustainability of public policies and cost-effectiveness in public finances. Public confidence in a public institution can also be perceived through the number of submissions addressed to the Office. **In 2019, the number of complaints from citizens, natural or legal persons increased by 15 % compared to the previous year and reached 750 submissions.**

Similar to state or public institutions, the supreme audit institution in the society must have its own mechanisms in place, which eliminate possible corrupt behaviour of its employees. In SAO SR, the "Anti-Corruption Program" has been in force since 2019, its aim is to minimise the space for corrupt actions by employees in the exercise of independent audits as much as possible. The public can use the email address korupcia@nku.gov.sk to report possible corrupt practices by any office employee. Only the President of the Office and the Anti-Corruption Coordinator have access to the mentioned address. In addition to the internal system of continuous quality control, the principles of international evaluation of the Office's competence, transparency and openness also help to prevent the emergence of a corrupt environment. **In 2020, the SAO SR will undergo an independent quality assessment (Peer Review) by four partner audit institutions - Poland, Hungary, Finland and the USA.**

1.1.4 HIGHER VALUE FOR MONEY ALSO IN SAO SR

In 2019, the Office managed budgets in sum of 12.697 mil euros. The largest share in the drawing expenditures is represented by expenditures for wages and insurance premiums (2/3 of current expenditures, i. e. 9.7 million euros. Annual expenditures for the operation of the Audit Information System are almost 850 thousand euros and the rest is costs of services related to administration of assets and necessary operations worth more than one million euros.

Picture 4: Participants of the International Working Group for Key National Indicators meeting in Bratislava

An important aspect of the efficient and effective use of public resources is whether this mean only simple reproduction or also bring added value. This principle is applied by the Office not only in the focus of audits, which are to answer the question of added value. The strategic goal is to apply it as much as possible in the use of own resources, especially wages and in kind. In this case, it is a matter of finding the optimal relationship between the human and financial resources expended and the results of audit activities. Fulfilment of this principle requires the Office to achieve **the maximum possible degree of standardisation of human and financial resources planning for individual types of audits on one hand, and on the other to be able to assess and apprise their added value.**

1.2 INCREASISNG IMPORTANCE OF THE INTERNATIONAL COOPERATION IS SAO SR ACTIVITIES

At present, the contacts of the SAO SR with other audit institutions and international organisations are extremely important. During 2019, 130 employees of the Office participated in 48 foreign events. Most often, it was an active participation in professional seminars, conferences, and the involvement of Office representatives in work of international expert groups or the performance of parallel audits.

The Office has a significant presence in various EUROSAI working groups. Among other things, the Working Group on IT Projects is preparing a handbook for European colleagues on how to prepare and audit IT systems. During last year's Bratislava meeting of the group, the Slovak auditors, together with the Polish colleagues, presented the CUBE project to the professional public. **This innovative project can serve as a database of recommendations and examples of good practice for cross-sectional evaluation of IT projects in the public sector.** The SAO SR has long warned the Government of the Slovak Republic and members of the legislature that **many implemented projects in the field of informatisation of Slovak society are dysfunctional and their real benefits for society in the 21st century are questionable in many indicators.**

In April 2019, Slovakia hosted an **international working group dealing with key national indicators.** Issues related to sustainable public sector financing, support for strategic public policies, including the social, pension system, and the education and health systems were discussed. Fifty experts from 19 countries attended the event. The mission of the group is to coordinate the procedures of SAIs in the development and use of key national indicators in the economic, environmental and social fields, and to support SAIs evaluating the effectiveness and efficiency of public policies. At the same time, **the expert group assists national governments in promoting tools for greater efficiency, transparency and public confidence in the fight against corruption, and in assessing the effectiveness of national resources in the interests of the country and the people.**

In 2019, the SAO SR continued chairing the worldwide Peer Review Group. Slovak auditors also actively participate in the doings by the International Working Group on Environmental Audits, are part of the expert group dealing with information systems (BIG DATA) and the European working group focused on issues of effective, targeted use of EU funds and key fiscal policies or budgetary responsibility indicators. Also important were the workshops following the methodological preparation of joint parallel control actions related to the Basel Convention (hazardous waste management) or risks related to plastic waste.

In connection with the preparation and performance of international audits, **the SAO SR representative´s appearance at the UN was significant and prestigious presenting the participants with a possible approach to measure and evaluate the implementation of national commitments in the field of sustainable development.** The presentation focused on the key importance of horizontal and vertical coordination and cooperation of national organizations and the importance of setting the right national indicators. In 2019, a representative of the Slovak office ended his three-year tenure as an expert member of the OECD Audit Committee in Paris. **All these events and the work of the SAO SR employees in the structures of international control institutions testify to the fact that the SAO SR is becoming an accepted authority abroad for the performance of external audit of public resources.** (Picture 4)

② AUDIT ACTIVITIES FOCUS IN 2019

The audit activity of the SAO SR is not a random, but purposeful, programmed process. By briefly describing its steps, we want to refute the sporadically sounding opinions that the focus of some audits and the timing of their performance do not indicate the political neutrality of the Office. Here too, we want to emphasize that the SAO SR is and will be an independent institution in terms provided the Constitution and Law. By carrying out ex-post audits, usually over the previous two or more years, it necessarily reflects on how the principles of economical, efficient and effective use of domestic and European resources have been respected in the governance process. At the same time, however, we also assess how they have contributed to the fulfilment of government policy statements, government resolutions and regulations, or international commitments and financial discipline within the euro area. Naturally, the Office also comments on the weaknesses or risks in public resources, which are linked not only to the past, but also to the operation of the current executive and legislative power of the state and self-government; that may not apply to direct liability.

2.1 SAO SR AUDIT ACTIVITIES PLANNING PROCESS

The planning of audit activities takes place on two levels. Strategic planning focuses the attention of the audit for a period of three years and its result is the document *Strategic Areas of Audit Activity of the SAO SR*. These are the basis for the priority areas of audit activities for the relevant year, which are defined by the significance of the analysed risk, the recency and timeliness of its assessment. These attributes are the framework for the **internal process of selecting topics** for audit activities for the coming year.

The Office is aware of the importance in the correct direction of control activities. In 2018, the Office developed a **new methodology for planning audit activities, which was applied creating the audit plan for 2019.** The methodology is based on international experience, new INTOSAI standards and the Office's own quality assessment according to PMF methodology from 2018. The quality of the planning process will be one of the areas that will be evaluated by the (already announced) international team as part of the Peer Review in 2020.

Properly **targeted topics** are the basis for the highest possible added value in the work by SAO SR represented by objective and independent findings and recommendations for the adoption of measures that solve the identified problems or encourage their substantial changes. Until the analysed risk becomes subject to audit by the SAO SR, it will undergo a **multi-level evaluation** based on a collective assessment by a specialised unit (Planning Council) in accordance with the established criteria. The main tools are discussion in individual audit units, internal review and cooperation with external environment.

At the start of the planning process, in March 2018 the various SAO SR departments submitted **70 proposals for audits.** Through a multi-stage evaluation, which lasted approximately 9 months, the SAO SR Chairman approved the audit plan for 2019 that **included 25 audits**. However, the SAO SR is a flexible office, as evidenced by the inclusion of eight new audits during the year in its audit work. The most significant findings from the implementation of the planned audits are in the next part of the report.

The procedure for approving the audit activity is illustrated in the following diagram. (Picture 5)

Picture 5: The procedure for approving the audit activity

2.2 AUDIT ACTIVITIES RESULTS IN FIGURES

In 2019, the SAO SR auditors performed 39 audits. As the complexity of some cross-sectional and international audits means they take more than a year to perform, the number of completed audits in 2019 differs from the plan for the calendar year. In particular, up to six inspections, which were opened in 2018 and are the subject of this Report, were completed in 2019.

The largest group consisted of audits aimed at efficient and transparent public administration (18). In the second group, audits focused on sustainable consumption and production, energy efficiency and environmental sustainability (4), sustainable public finances and fiscal policy (5), defence and security (2), transport infrastructure and information and communication technologies (2) and education, research, development and innovation (1). Three audits were performed as international audits and concerned (i) the system for collecting and managing social security contributions and old-age pension savings, (ii) transboundary movements of waste under the provisions of the Basel Convention and (iii) support in selected areas of climate and energy policy to maintain the long-term sustainability of public revenues. Other cross-sectional audits in 2019 covered other strategic areas of focus of the SAO SR's audit activities for 2018-2020, as shown in the graph below: (Graph 3)

In 2019, the Office carried out studies about the system for recovering irregularities, financial corrections under the conditions of the European Structural and Investment Funds, and the sustainability of the urban environment. The SAO SR contributed to the discussion on the need for further public administration reform with a study concerning the problems of the Bratislava self-government. The Office also dealt with the issue of remuneration of teachers, with the emphasis being placed on several important aspects of the basic and motivational component in wages, which directly or indirectly affect the interest in the teaching profession. The analysis also pointed to other serious problems with the teaching profession.

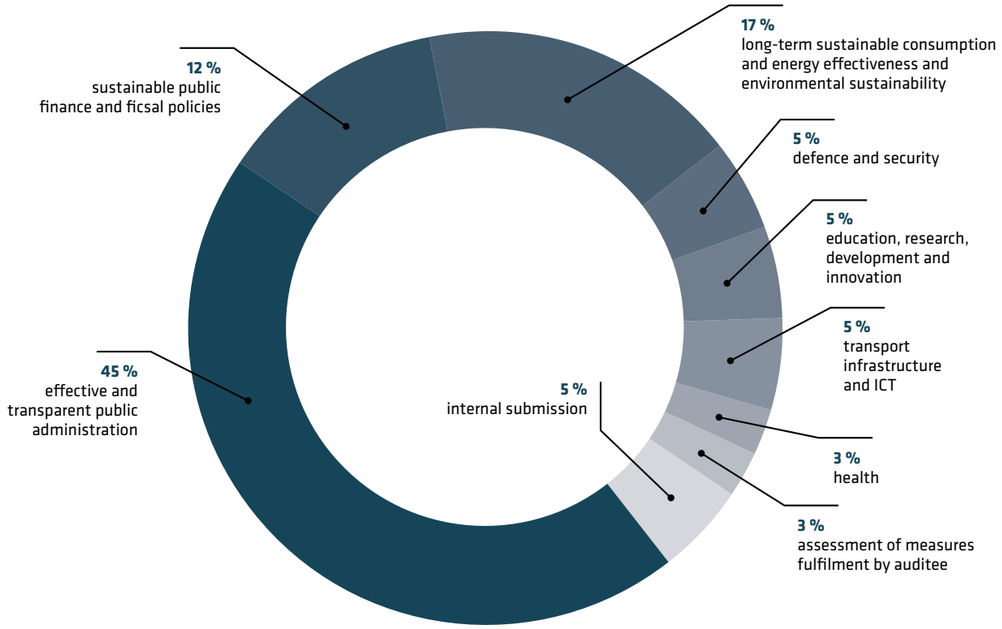
In 2019, the Office continued with thematic audits focused on the management of state-owned enterprises in agriculture and environment - the economy and efficiency of budgetary resources spent on various types of external services. The Office also focused on the effectiveness of the measures taken, which resulted from the audits aimed at the electronisation of selected towns and municipalities.

In accordance with the ISSAIs, the SAO SR performs performance, compliance and financial audits, or a combination thereof.

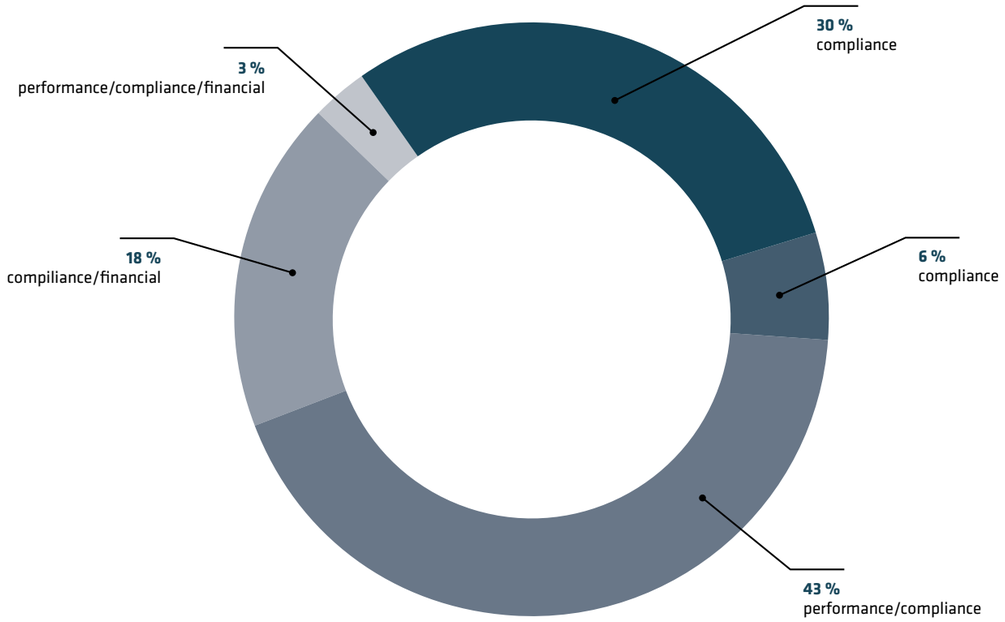
In the **performance audit**, the main question is whether the public funds entrusted have been used in accordance with the principles of economy, efficiency and effectiveness. The SAO SR does not look at economy only through the process of procuring works, goods and services at the most economically advantageous price. **Economy** is also viewed from the point of view of **possible waste, i.e. whether** activity or goods are needed at all. The Office also notices possible **overpricing** - it assesses whether the activity or the purchased goods are of the **required quality**. From the point of view of **efficiency**, the Office focuses mainly on possible **losses**, and in the event that the funds spent do not lead to the desired results, whether the **optimal ratio** of inputs and outputs is set. **Effectiveness** is the view of the fulfilment of set goals, or the search for the causes of their non-fulfilment.

The compliance audit verifies compliance with the criteria set out in particular by the relevant laws, regulations and contracts. This includes verifying the correctness and adherence to the general principles defining the sound management of public funds. This group also includes audits that, in the event of non-compliance with legal norms, define findings with an impact on the finances, budget, accounting or administration of state property. However, the SAO SR is also interested in adherence to legislation that directly affects state policies and citizens' lives, for example, in waste management, GDPR or in respect of contracts in external relations. **Audits with elements of financial audit** are focused on the truthfulness, completeness and provability of financial and financial statements. The following chart shows the structure of completed audits. (Graph 4)

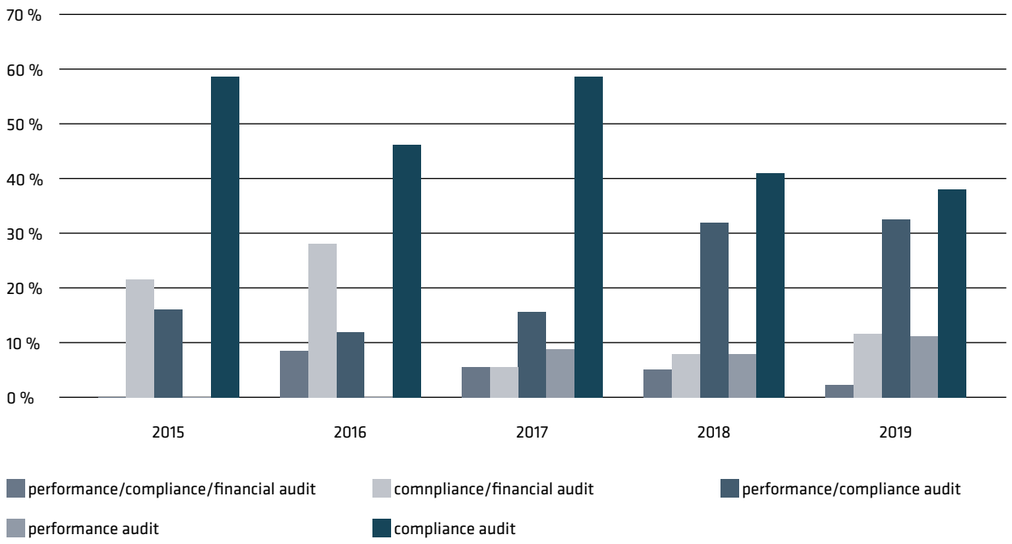
The structure of the types of audits has changed in recent years; there has been a decline in compliance audits. Compared to 2016, the percentage of compliance audits decreased from 47.4 % to 39.39 %. In 2019, the share of compliance audits in combination with performance audits increased from 13.2 % in 2016 to 33.33 % in 2019. **The SAO SR thus fulfils its ambition to increase the number of audits aimed at assessing value for money to performance audits, which asses the economical, efficient and effective use of public funds.** (Graph 5)



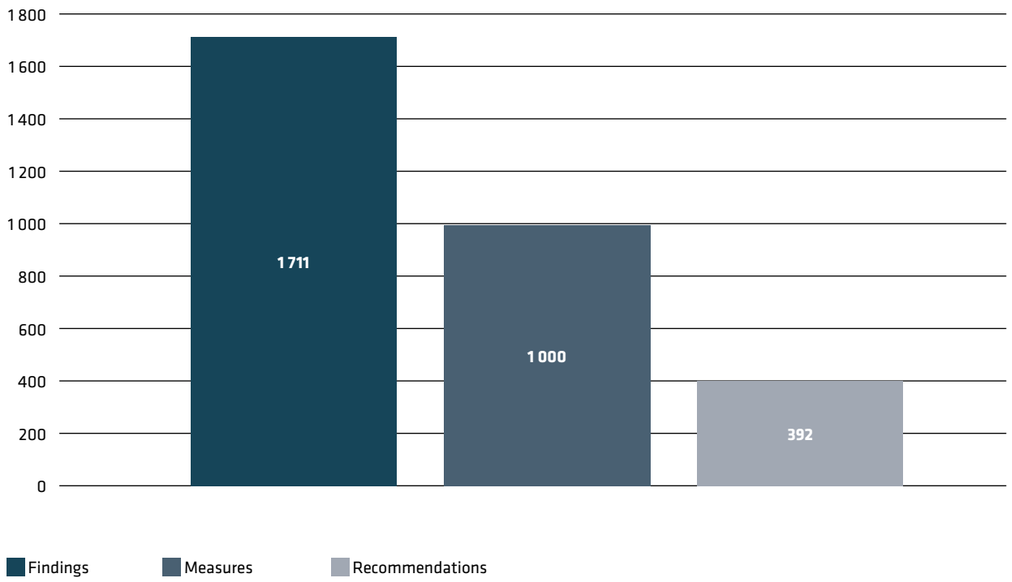
Graph 3: Strategic areas for audit activities in 2018 – 2020



Graph 4: Audits according to their type



Graph 5: Audits according to type in 2015 – 2019 (in %)



Graph 6: Overview of findings, measures and recommendations in 2019

In 2019, the auditors examined **426 entities, identifying 1,711 findings from various areas of their activities** - from violations of the law to systemic deficiencies that cause the resources spent not being used efficiently, economically or effectively. **Entities took 1,000 measures**. The SAO SR auditors formulated 392 recommendations, the adoption of which could prevent the identified shortcomings. A graphical overview of the total number of findings, measures and recommendations is given in the following graph. (Graph 6)

The most serious findings of suspected criminal activity were passed on to law enforcement authorities. In 2019, the SAO SR **filed seven criminal notifications**. Representatives of the SAO SR **sent 16 non-criminal notifications to the prosecutor's office. The Office for Public Procurement submitted seven submissions to the SAO SR.**

3 BUDGETARY PROCESS IN SAO SR OPINIONS

The obligation of the SAO SR derived from the Law, is to submit to the National Council of the Slovak Republic an opinion on the state final account of public administration as well as an opinion on the draft State Budget for the following financial year. **Budget measures, programme budgeting, recurring weak absorption of EU funds, or lack of capital expenditures to reduce modernisation debt**, these are just a few chronically recurring problems that the SAO SR has pointed out in its opinions for a long time. International experience has clearly shown a very close relationship between compliance with budgetary rules and the sustainable development of the country, and the Office therefore pays special attention to them in its audit activities.

3.1 OPINION TO STATE ECONOMY IN 2018

In its opinion on the state final account, the SAO SR comments on the public administration management for the previous year. In practice, this means that in May 2019, the SAO SR commented on the public administration management for 2018. As this opinion is available in full to all interested parties, we present only the core fundamentals in the context of public administration management and budgetary rules.

Despite the positive economic development in recent years and declining unemployment, Slovakia, due to insufficient application of budgetary rules, did not use good macroeconomic times to reduce deficits and debt and for structural reforms that are a prerequisite for future growth. We will miss this "pillow" very much in the difficult period of domestic and global development, which we have entered since the beginning of 2020. One of the target indicators is to achieve a balanced, resp. surplus budget, which the Slovak Republic, despite ambitious plans, fails to achieve; recent months have shown that it will not reach this goal for a long time. The public finance deficit of the Slovak Republic in 2018 reached the level of 1.06 % of GDP, while the original plan was 0.83 %. Achieving the planned value of the deficit thus remained an unfulfilled dream in 2018. **The difference between the plan and reality** still represents a **weaker side** in the conditions of the Slovak budget. By comparison, in 2017, 13 of the 28 countries had a surplus budget and Ireland had a balanced budget. At the same time, in the years 2013 to 2018, Slovakia had one of the highest growths in public revenues in the entire EU.

Inadequate reporting of selected expenditures also emerged as a more serious problem in the budgetary process during the year, with the autumn deficit and debt notification from Eurostat increasing the initial government deficit (0.7 % of GDP) from the spring notification, after taking into account additional factors, by 0.36. % . The amount of the general government deficit in 2018 was negatively affected mainly by the recognition of the liability to nuclear facility operators in connection with their future decommissioning and the support system for energy production from renewable sources. On the contrary, the change in the reporting of revenues from the sale of telecommunications licenses had a positive effect on the amount of the deficit in 2018.

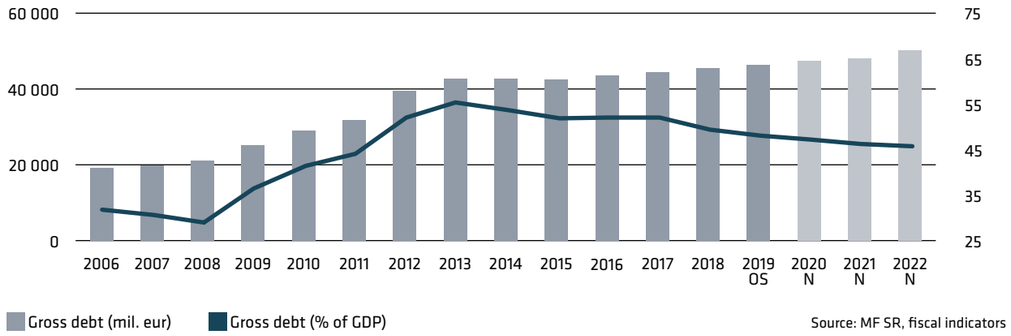
The euphoria that the government debt for 2018 will leave the limit of the penalty zones of the debt brake, which would happen for the first time since the introduction of this budgetary rule, finally subsided when the debt reached 49.4 % of GDP and ended in the first sanction zone. The Slovak Republic attempted a reparation again in 2019, when the expected debt should end outside the sanction zones, despite the fact that it will not reach the planned level of 47.3 % of GDP. The SAO SR states that **achieving the planned amount of public administration debt is still a weakness in the budget process**. In addition, Slovakia is the EU's fourth most open economy and is increasingly affected by fluctuations in the global economy. Therefore, the government's priority should be to achieve debt brake targets and prevent debt from rising to critical levels, although this will not be easy and probably not impossible at all, in the light of recent events at home and abroad. (Graph 7)

The development of real capital expenditures by public administration in the period 2009 - 2018, the expected reality in 2019 and the draft budget for 2020 is in the graph below. (Graph 8)

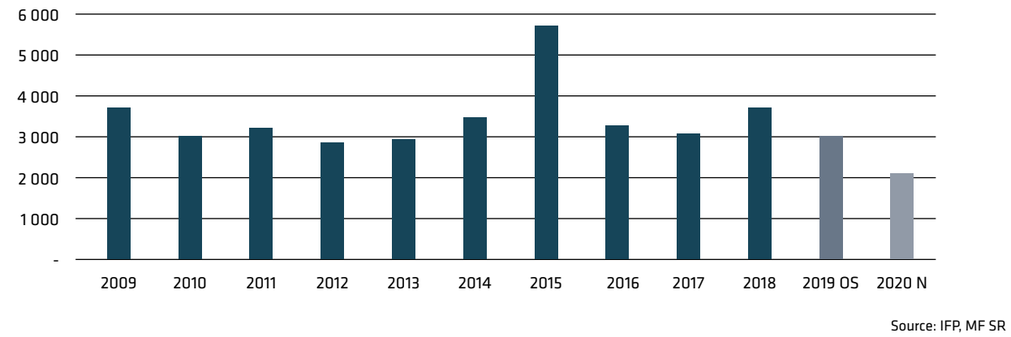
The growth of capital expenditures in public administration in 2018 was mainly associated with a shift in the use of European funds, with the financing of infrastructure projects, but also with the consumption of investment funds from previous years.

The Slovak Republic capital expenditures budget was approved as EUR 1´331.4 mil and actual expenses as EUR 2´402.3 mil. Compared to 2017, actual capital expenditures increased by EUR 849.5 mil. **From the capital transfers total amount EUR 972.1 mil originated from EU sources and EUR 559 mil from the State Budget.** Transfers within public administration - up to 78.5%, accounted for the largest share within capital transfers. Of this, MTC SR provided transfer mainly to National Motorway Company (EUR 510.1 million EUR for investments), Slovak Republic Railways (EUR 209.5 million for the construction, renewal and modernization of the railway network) and Slovak Railway Company (EUR 18.3 mil mainly for the modernisation of the wagons).

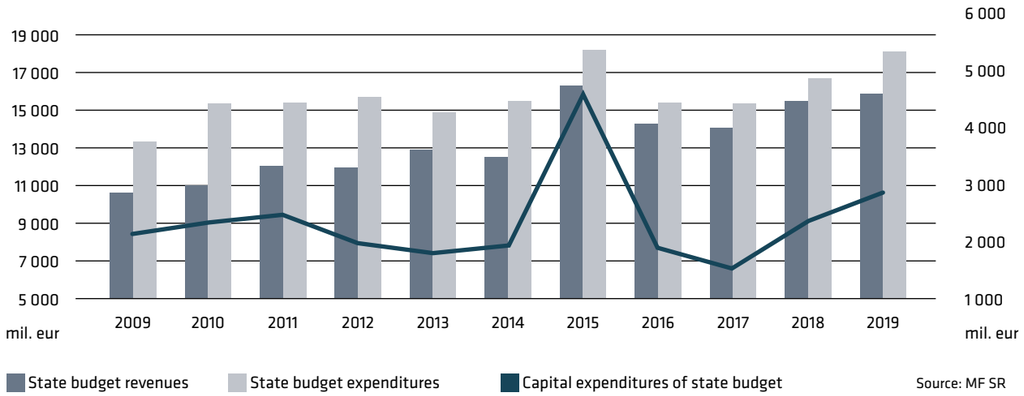
The development of capital expenditures in 2018 was also influenced by municipalities, which drew them to a much greater extent due to municipal elections. Municipalities invested mainly in the reconstruction and construction of infrastructure (roads, sewers, rental apartments). On the other hand, the drawing of EU funds (especially from the IROP) in municipalities and local authorities failed to start significantly. This was also reflected in the result indicators, in areas such as safe and environmentally friendly transport in the regions, easier



Graph 7: Public administration debt development in 2006 until 2021 Source: MF SR, fiscal indicators



Graph 8: Public administration capital expenditure development (ESA 2010, EUR mil.) Source: IFP, MF SR



Graph 9: Revenues and expenditures development in State Budget (EUR mil)

access to more efficient and better services (number of integrated health care centers created, investment in social and health infrastructure, etc.), where targets were not met and some projects not even started.

3.2 REVENUE AND EXPENDITURE POLICIES OF THE STATE IN 2019

Last year, the SAO SR began year-round monitoring of the public administration budget development and began making its views about the current use of public resources in individual chapters or warnings on risk areas available to the public, usually at quarterly intervals.

The deputies of the Parliament approved the Budget for 2019 with the historically first balanced budget. The original proposal provided for a deficit of 0.10 % of GDP, but the Finance Committee's amendment adjusted the deficit to achieve a balanced economy. Total revenues and expenditures were to reach EUR 37.216 bn last year, but finally, contrary to the expected fact, total revenues for the last year reached EUR 524 mil more and total expenditures by EUR 1.16 bn more, which means that the deficit was at 0.68 %. Last year, the introduction of a special levy for retail chains was also to help increase the tax revenues (2.5 % of the net turnover of retail chains was to bring EUR 80 million to the State Treasury). However, based on a preliminary measure of the European Commission, the deputies of the National Council of the Slovak Republic had to repeal this law at the beginning of April.

Last year, Slovakia improved in the collection of taxes, which form a significant part of budget revenues. However, we are still lagging behind our neighbours. We managed to shift the effective VAT rate from 15.5 % in 2018 to 15.8 % in 2019. According to preliminary estimates by the Ministry of Finance, it managed to collect EUR 113 mil more VAT revenue compared to the planned budget. Despite the declining VAT tax gap (according to the EC estimate, the tax gap in the **Slovak Republic decreased in 2018 to 22 % from 23.2 % in 2017**), Slovakia did not approach our neighbours from the V4, who managed to reduce the tax gap within 5 years on average to 10 %. This means that we lag behind our neighbours by 12 %. If Slovakia managed to reduce the tax gap completely, it would bring an additional EUR 1.8 bn to the public administration budget. For comparison, Sweden had the lowest tax gap in the EU that was 1.5 % in 2017.

The Czech Republic's approach to the fight against VAT fraud is inspiring, as it decided to change the VAT collection system by introducing the so-called "Reverse charge", which means the transfer of tax liability to the buyer (valid for all transactions over EUR 17´ 500). This method of collecting VAT is applicable in the Slovak Republic only to some goods and services. The EC is currently discussing the introduction of similar measures in all member states. (Graph 9)

The level of capital expenditures does not allow for the elimination of modernisation debt in public administration in the long run, and so the reconstruction, modernisation and purchase of objects and their implementation will have to be postponed again to the following years. However, the problem is not just the insufficient budgeting of this type of expenditure. Also, on the experience from performed audits, the SAO SR points out that **many times expenditures originally intended to be determined as capital, are used as current due to insufficient budget planning in several public administration entities.**

An example is the recently completed **electronic toll collection audit**, which revealed a similar problem when, according to Government Resolution no. 24/2013 the entire net income after repayment of investment costs for toll construction was to be used for the development of road infrastructure owned by NDS (Národná dialničná spoločnosť – National Motorway Company), i.e. as capital expenditure. The resolution was eventually repealed and NDS did not use the net proceeds as originally planned, even after the toll investment costs were paid, but part of it went to cover the company's costs.

During 2019, a total of **3,022 budgetary measures** were implemented, which represents an increase of up to 80 % compared to 2012. The upward trend in budgetary measures since 2016 suggests that **this legitimate budgetary policy instrument is often used beyond the objective need for redeployment.** More rigorous revenue and expenditure planning would not even lead to many budgetary measures. The first weeks of 2019 brought an increase in the budget through budgetary measures by significant amounts that had not been used in the previous period. To a certain extent, these amounts give an overview of how the individual chapters were able to meet their goals in a given year and what they are moving to the next. Equally important are transfers within the budget year. (Table 1)

Table 1: Budgetary measures development 2012 – 2019

	2012	2013	2014	2015	2016	2017	2018	2019
Budgetary measures total	**1 672**	**2 303**	**2 447**	**3 442**	**2 024**	**1 787**	**2 754**	**3 022**
Ministry of Finance SR	284	417	467	486	306	173	266	264
General Treasury Office	138	177	197	299	306	287	447	463
Ministry of Transport and Construction SR	124	178	64	82	68	61	99	95
Ministry of Agriculture and Rural Development SR	167	111	108	177	119	95	93	107
Ministry of Interior SR	177	327	353	443	288	197	403	482
Ministry of Environment SR	22	27	27	148	60	72	165	175
Ministry of Health SR	45	40	51	75	62	49	59	60
Ministry of Education, Science, Research and Sports SR	230	348	386	441	160	100	169	194
Ministry of Labour, Social Affairs and Family SR	66	71	87	162	94	39	48	80
Ministry of Economy SR	32	42	50	69	60	57	77	94

source: www.rozpocet.sk, final accounts of individual Chapters

The SAO SR has long been drawing attention to **the uneven use of EU resources during the programming period**. It is obvious that in its first years, the drawdown is rather in preparation, but its main part cannot be moved to its final period. This method puts too much strain on the State Budget and local government budgets at the end of the period; brings a number of other problems resulting from insufficient preparation for a given programming period and its individual programs. The snowball that ministries are pushing ahead of them in the form of unspent EU funds (including co-financing) from previous years has been slowly shrinking in 2019. **While at the beginning of 2019, eight Chapters** moved a total of **EUR 3.2 bn** from the previous period through budgetary measures. **At the end of the year, this carry-over amounted to EUR 2.7 bn.** Compared to 2018, when a record amount of Euro funds was transferred – EUR 4 bn; we can state there has been an improvement in drawing.

The unflattering first place in this area occupied the **Ministry of Agriculture, which at the beginning of 2019 transferred more than EUR 1.1 bn to the State Budget from EU funds.** During the year, the drawdown did not start significantly and at the end of the year, the chapter moved EUR 1 bn into the next period. The Ministry of Transport was in a similar situation - by 2019, it transferred EUR 874 mil and at the end of 2019, it transferred EUR 586 mil. In this case, however, the measure of the Ministry of Transport and Construction which did not budget for 2018 at all and for 2019 only a minimum of funds from EU funds. This meant that the accumulated amount of unspent funds from previous years could gradually decrease.

Other significant budgetary measures included budgetary measures from the State Budget. They mainly concerned the increase in **expenditures on wages in state and public administration from the General Treasury Administration Chapter**. The reason for these transfers was the non-inclusion of the announced increase in the budget for 2019 as criticised by SAO SR in its opinion on the draft State Budget for 2019. **This increases non-transparency of the budget, as these planned expenditures could and should have been part of the budget of the individual chapters and not the General Treasury.**

3.3 OPINION TO THE STATE BUDGET 2020 DRAFT

By the summary evaluation of the State Budget for 2020 proposal, the SAO SR concluded that **this is a high-risk budget in the sense that the risk of unfulfilment of its parameters is too great.** It is clear from the examples of the draft budget for several Chapters, which are to ensure the most important goals of the country sustainable development, that **they will not be able to ensure the government's program goals in the given areas even in 2020**. On the contrary, unfulfilment will generate further problems for future periods. These are, in particular, such important sectors as education, health, social affairs and transport infrastructure, and we could talk about others.

Also in the State Budget for 2020, **the risk for the budgetary process are mainly legislative measures**, which did not quantify the impact on the public administration budget (for example, value added and income tax, thirteen pensions), which is not in accordance with the Act for Public Administration Budgetary Rules.

When preparing opinions, the SAO SR annually analyses how the **Programme Budget of individual chapters and** related measurable indicators are implemented. Based on the results of the analysis, we perceive this tool as **one of the risk areas for the quality of the budget process**, which has not achieved significant progress since its introduction despite the considerable benefits it offers. **First, it is the most understandable form of expressing how the State manages the resources of the Slovak Republic and to which areas it directs them**. The second positive factor is the ability to monitor progress in individual areas, so that the average citizen can find out, for example, how many kilometers of roads have been repaired during the budget year, or how many new textbook titles have reached schools. The problem arises when these indicators are monitored only formally and superficially. The SAO SR repeatedly points out that **the quality of Programme budgeting and the measurable indicators behind it still represent considerable untapped potential.**

The SAO SR, by reviewing the budgeting of expenditures in selected Chapters for 2020 and by its own analytical activities, identified several risks in selected areas of structural policies. In the field of **education, science and research**, Slovakia has long struggled with several problems, and their causes include undersized funding, but also gaps in management efficiency. The level of financing is well described by the indicator of public expenditures of the Slovak Republic for education, expressed as percentage of GDP, the value of which has long been below the level of the average for comparable countries. **The expected value of this indicator for 2020 is 4.2 %. This is a value identical to the value from 2010, and at the same time, it is 0.4 p. p. lower than the EU average in 2017 and by 0.7 p. p. lower than the average for V3 countries in the same year.**

The discussed but **not solved problem of rationalisation of the school network** is related to the management of education, which has the potential to bring several million in savings[1]. A comparison of the average costs per pupil in the case of schools with different numbers of pupils also provides a picture in this issue. It turns out that large primary schools are significantly more efficient than small ones[2]. However, the draft budget does not indicate that the rationalisation of the school network is planned in the near future. At the same time, the Government undertook to increase the efficiency of spending funds in regional education by gradually optimising the network of schools and school facilities in its Programme Statement[3]. This point of the Government's agenda will not be fulfilled and remains the "Trojan horse" of the future.

In healthcare, the lower added value of financial resources is caused by inefficient allocation of resources. There is room for streamlining, especially in drug policy and outpatient care. In 2020, austerity measures of EUR 114 mil in expenditure for medicines and dietetic food to be implemented. The SAO SR draws attention to the risks of the proposed austerity measures, which are not sufficiently prepared, namely

1 The revision of expenditures on education, prepared by the Value for Money Department of the Ministry of Finance from 2017, estimated these possible savings at EUR 14 mil. The interim implementation report from October 2019 says about EUR 12 mil.
2 Higher expenditures per pupil in smaller schools are also assumed by the legislation itself, as schools with less than 250 pupils are granted greater financing.
3 Government Programme Statement 2020, p. 33.

- **the cost-effectiveness of medicines, where a saving of 8 EUR mil is proposed;**
- **changing payment groups from 1 January 2020, savings of EUR 7.9 mil is proposed;**
- **exempted medicines, a saving of EUR 16 mil is expected,**
- **eHealth should save EUR 30 mil.**

In outpatient care, the growth of value for money is hampered by underestimated primary care, which is reflected in the low numbers and high average age of general practitioners, as well as their limited competencies. In response to these facts, the Resident Program was established in 2012. The SAO SR pointed out selected factors that in the years 2014 - 2018 contributed to the declining interest of physicians in this programme and currently are influencing it. The SAO SR also drew attention to **the connection with the continuing growth of debt of university and teaching hospitals.**

The draft budget 2020 budgets EUR 69 mil for capital expenditures to hospitals, which is by 31 mil EUR less in comparison with the budget 2019, while the SAO SR pointed out that the value of services in health care is helped to increase, among other things, by the capital expenditures of the Ministry of Health. This decline is also at odds with the intention to continue the renewal, reconstruction and construction of hospitals, especially the comprehensive reconstruction of the University Hospital in Banská Bystrica, the construction of a new university hospital in Martin, and the new university hospital complex in Bratislava.

Many of the goals from the Programme Budget, which the **Ministry of Transport and Construction** has set for 2020 to meet, either do not have sufficient financial coverage or are unambitious and will not contribute to improve the current state of road and railway infrastructure. Planned expenditures for the construction of motorways and expressways are insufficient for 2020. An example is the element Motorways and Expressways (financed exclusively from the State Budget), according to which the Ministry should start building 44.6 km in 2020 and hand over 5.67 km of motorways and expressways for, in total, EUR 31.4 mil. To illustrate, with the same amount of expenditure, the Ministry planned to start construction of 14.1 km in 2019 and hand over 28.79 km freeways and express roads. From this amount, some large projects should be financed in 2020, among others, while the expenditure on these projects alone amounts to approximately EUR 135 mil. In addition, the Ministry plans to begin construction of a section that has not been assessed in terms of best value for money. The risk also arises when meeting the deadlines for the construction of some important sections financed through EU funds. The risk of continuing weak absorption of Euro funds in selected priority axes of the Operational Programme Integrated Infrastructure also persists.

Since 2016, the budgeted expenditures arising from the Ministry of Transport and Construction targeting the maintenance and repair of first class roads have been the same. The planned expenditures for 2020 also remain at the same level – EUR 40.5 mil. The SAO SR pointed out that the proposed budget **cannot ensure a sufficient standard of maintenance and repairs of Class I roads**, which will have a negative impact on maintaining road operability and road safety. The estimated optimal amount of expenditure for this purpose is in the range of 64 to EUR 75 mil.

As part of **social policies**, the SAO of the Slovak Republic drew attention to the adopted amendment to the Act on Social Insurance, which will link the minimum pensions to the average wage in the Slovak Republic instead of the subsistence minimum. The basic minimum pension after obtaining 30 years of pension insurance will thus reach 33 % of the average wage in the Slovak Republic two years ago from 2020 onwards. The measure will increase the number of low pensions by an average of EUR 50 per month, which will require another approx. EUR 150 mil. The SAO SR pointed out that this is a not a conceptual intervention in the pension insurance system, which violates the principle of merit and reduces the motivation to pay premiums. The Social Insurance Company has not been technically prepared for its application since 1 January 2020; in addition, further financial demands can be expected for its implementation in practice.

Expenditures for the implementation of another measure, the so-called free lunches for pre-school children and for all children attending primary school are more than EUR 123 mil per year. Providing this tool in cities and municipalities places high demands on organisational, spatial and human resources, which in turn puts pressure on the local government budget. **The SAO SR does not question the possibility of adopting such a measure, but points out its unpreparedness, insufficiently assessed impacts on local government budgets and the effectiveness of the resources spent. Therefore, it recommends evaluating in the future the overall effects of the adopted measure and its added value for children's nutrition.**

4 SUBSTANTIAL FINDINGS BY AUDIT ACTIVITIES IN 2019

The audit activity of the SAO SR has focused in long term on supporting good governance of all public administration relevant subjects, based on objective information and facts. The audit outputs should be the basis for correct future decisions that will help transparency, professionalism and efficiency in public administration. They point out that the basis is the achievement of appropriately set goals, efficient and economical use of resources in the appropriate legislation context. All final reports about audits completed in 2019 are attached to this report.

4.1 FULFILMENT OF THE PUBLIC ADMINISTRATION ELECTRONISATION GOALS REMAIN SIGNIFICANT CHALLENGE

Expenditures on the electronisation of public administration services represent a significant capital and operational burden for most of its entities. **In 2016 to 2019, the average of IT expenditures reached EUR 488 mil and the estimated expenditure for 2020 to 2022 is EUR 703 mil** (data by the Value for Money Unit). Although the results of informatisation in Slovakia are improving, they do not meet expectations and lag behind the EU average. Therefore, it is necessary to increase the pressure on the economic efficiency in IT spending.

The decision to use budgetary resources for individual electronic and digitalisation projects is a very important moment for any organization, as this decision will affect the way that its mission is fulfilled in the long run. It will also affect the expenditure policy of each of the organizations that have implemented or will implement a major activity in the field of electronisation. Expenditure on services related to the maintenance and development of information systems is one of the fastest growing expenditures, and it is therefore extremely important that projects fulfill the desired purpose in a sustainable way and resources are used efficiently and economically.

The SAO SR has long been dealing with the issue of economic, efficient and effective use of public resources for the informatisation of society, as evidenced by the audit reports on regularly submitted to the National Council of the Slovak Republic. It also points out in the long term that a large proportion of projects have not met the required objectives. In addition, their implementation is generally not in line with deadlines and some services are not used or used only minimally. That is despite the fact the bigger IT projects go through the evaluation by Value for Money Unit in the phase of its design. A special problem is the connection of various IT projects to the adopted concepts and strategies of State institutions or local governments, whose goals are not financially covered and often the ideas in these documents and the results of project implementation are diametrically different. In addition to their contractors, many consulting and advisory companies usually participate in important IT projects. The SAO SR's audits have often shown that these services are not always necessary to the extent that they are contracted. For several years now, the SAO SR has been pointing out the problem that **the State often also buys those IT services that can be implemented at lower costs with internal capacities of the same quality. SAO SR is of the opinion that building the State internal IT capacities could significantly reduce the cost of meeting the goals of electronic public administration. IT solutions made by internal employees use a better knowledge of their own processes and information systems, and therefore they can be applied more quickly and efficiently in practice.**

The task of the SAO SR is not only to point out shortcomings in individual audited areas. Therefore, in the next part of the report, in addition to pointing out the problems, we want to show that the resources spent serve their purpose, but also that the recommendations that have been adopted based on the audit significantly improve the situation. It is proof that the audit of the SAO SR is thus actually applied in practice as part of management improvement.

4.1.1 ELECTRONISATION OF REGIONAL EDUCATION SYSTEM REVEAL GAPS

Also in 2019, the SAO SR dealt with the issue of public administration informatisation in several audits focused on various aspects of this process. There is no doubt that digital technologies are changing everyday life and have become an integral part of it. Almost all jobs require a certain degree of digital skills. The place where basic digital literacy should be acquired is the school. Within audit KA 006/2019 **Electronisation of the educational system in regional education**, the Office focused on the Concept of Informatisation and Digitalisation of the Ministry of Education and the National Project Electronisation of the Educational System of Regional Education. This audit also showed how important it is to have targeted strategies developed for the management, supplemented by measurable indicators and financially secured in the State Budget.

In September 2014, the Government approved the document **"Concept of Informatisation and Digitalisation in the Education Sector with a view to 2020"**. However, in the draft budget of the Slovak Republic for 2015 - 2017, **no funds were allocated for this area, which was a risk for the given concept objectives fulfilment**. In order for the strategy to be well implemented, it must meet certain attributes, according to which the effectiveness of the measures taken will be evaluated and measured. The Ministry of Education has not prepared

any document that would develop the concept into specific activities, resp. tasks to achieve defined goals. Thus, it is not even clear whether the Ministry considers the objectives of the concept as fulfilled, as it **evaluated the concept quite formally, without responding to the effectiveness of its adoption and implementation.**

The starting point of the "Concept of Informatisation and Digitalisation of the Education Sector with a View to 2020" was the interdepartmental material "DIGIPEDIA 2020" from 2013. Based on it, the **national project "Electronisation of the educational system in regional education"** was approved. At the time of project preparation, the vast majority of ICT equipment used in schools was obsolete and very difficult to use for digital education. Therefore, the successful fulfillment of the project's intention was conditioned by the purchase and provision of modern digital teaching aids and end devices enabling digital education (interactive whiteboards, teaching touch tablets and others). The budget of the project financed to 75 % from EU funds was EUR 46 mil. The project consisted of two separate and mutually independent parts - the implementation of an information system and the establishment of digital classrooms (including the creation of part of the digital educational content). **Some 4,543 schools were involved in the project receiving interactive whiteboards, laptops, colour printers, tablets and Wi-Fi all up almost 35,000 units. The same equipment paid for from the State Budget was delivered to 559 schools in the Bratislava region. (Table 2)**

Also within this project, funds were spent that do not fulfill their purpose. An example is funding for a separate model for psychologists - **over EUR 8.8 mil**. In this context, it was found that although the module is functional, it is practically not used. An obstacle to its use is the inability to verify the child's legal guardian due to the absence of a register with such information. At present, it is not clear whether in the near future it will be possible to verify the relevant data and thus make full use of the paid service.

A serious, systemic problem of this project, which the SAO SR draws attention to, is that despite the implementation of the information system, **regional education is not yet obliged to create a school educational programme using this system.**

During the audit, the SAO SR inspectors visited 56 schools throughout Slovakia and, in addition to verification of the operation of digital classrooms conducted a questionnaire collection of data about the condition of facilities and the actual usability in teaching. The results of this questionnaire show that many parameters of the project use do not take into account the real conditions in schools, for example -

- **that the best use of the supplied devices has the interactive blackboard, to which a notebook must necessarily belong (in the future it will be solved as a set of HW and not as separate components),**
- that **the condition of the project - placement in only one classroom (digital classroom)** and the condition of impossibility to transfer them to other classrooms (not to apply such strict conditions for the implementation of projects in the future) was evaluated disadvantageously,
- **that the limiting factor of using the technique is the low number of tablets per class - 20 pieces**; this is usually less than the number of pupils per lesson (teaching restrictions),
- that with the increasing number and variability of equipment, their maintenance becomes a problem in those schools without have a **technician - an ICT specialist**; teachers point out that with the expansion of digital technology use, the recruitment of such an expert is essential, but that have not being yet considered much,
- that a significant shortcoming is that **digital educational content was not created in full within the project**; within the project, 250 selected lessons educational materials were converted into digital formats, which do not cover the entire scope of the required education.

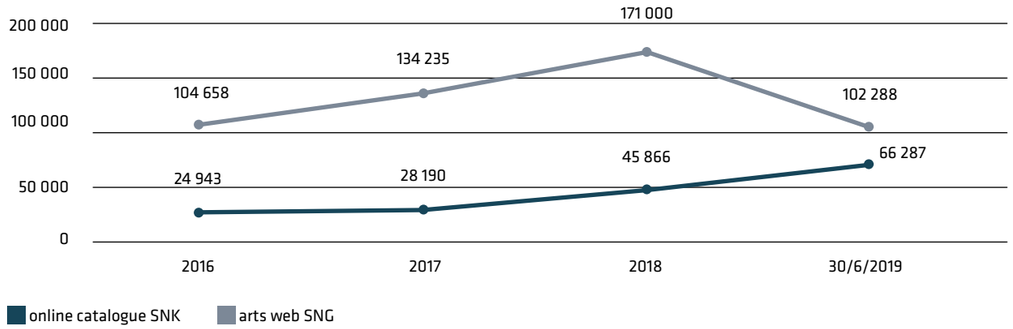
The brake to the general spread of electronics in the daily life of society, including school operations, is the lack of accessibility, respectively still low internet speed in some regions, despite the Government promise to introduce high-speed internet in every municipality by 2020. **At the end of 2019, up to 34 % of regional schools did not have a satisfactory internet connection.** So far, only the promise of solutions for the next period is the Digital Transformation Strategy of Slovakia 2030 and the resulting action plan approved by the Slovak Government in July 2019. Again, however, it does not include a way of financing the hardware base in the equipment of regional schools, which calls into question the understanding of education as a national priority, regardless of who is its provider.

The main recommendation of the SAO SR for the Ministry of Education is to prepare a legislative proposal that would address the electronic education as a whole,

Table 2: The real placement of technical elements (in units)

	School	iBlack-board	notebook	printer	tablet	Wi-Fi router	total
Technical equipment	Kindergartens	2 686	2 686	2 686	0	0	8 058
	High schools	772	772	0	6 570	329	8 443
	Elementary schools	2 211	2 211	0	13 390	670	18 482
	total	5 669	5 669	2 686	19 960	999	34 983

Source: Ministry of Education, Science, Research and Sports of the Slovak Republic



Graph 10: Number of inputs/users in SNG online catalogue and web site up to 30 June 2019

and not only its fragments depending on the founders. The above recommendation must not be understood only as an element of modernisation of education, but also as a tool for providing alternative ways for education even in such challenging situations in which Slovakia and the world found themselves in 2020.

4.1.2 DIGITAL NATIONAL PROJECTS TO PRESERVE CULTURAL HERITAGE CAN SERVE AS GOOD PRACTICE EXAMPLES

One of the most representative areas of Slovakia is a very diverse and rich cultural heritage. Artifacts of cultural heritage are concentrated in a system of monuments and collections - it consists of 106 museums, 25 galleries, 6,485 libraries, 72 archives and 14,577 monuments.

Digitalisation and its online availability are also a form of protection and preservation of cultural heritage. The Office focused on the process of digitalisation in Audit 028/2019 **Development of memory and fund institutions and renewal of their national infrastructure**. The main reason was the considerable amount of financial resources used for this purpose from European funds; the audit should provide an answer as to whether they were used in accordance with the objectives of the national digitalisation projects and whether its purpose had been fulfilled.

In 2011 - 2015, nine organizations under the founding competence of the Ministry of Culture implemented twelve national digitalisation projects in the total amount of more than EUR 205 mil. National projects were financed from the OP Informatisation of Society. *The Digital Library and Digital Archive* project in the SNG (EUR 49.5 mil) and the *Digital Museum* project in the SNP Museum (EUR 27.5 mil) were among the most extensive in terms of volume.

The SAO SR assessed six projects in the budgeted amount of almost EUR 128 mil, which was more than 62% of the total amount of all approved non-refundable

financial contribution applications. As of 31 October 2019, **almost 1.7 mil objects from cultural heritage sites were published on the Slovakiana national presentation web portal, of which more than 86,000 were freely accessible by February 2020.** (Graph 10)

Digitalisation projects have contributed to the creation of 141 new jobs in specialized professions. The perspective connection of the Slovak digital cultural heritage with the European digital cultural heritage (Europeania collections - European digital library, archive and museum) will complement and expand knowledge about Slovak monuments and cultural history.

The SAO SR audit pointed out when drawing EU funds, it is possible to comply with the rules, set goals and measurable indicators, which are often exceeded. At the same time, the funds have led to the creation of permanent jobs in new and progressive specialisations. In all audited institutions, the financial implementation of activities was observed, while measurable indicators were met, including the number of digitalised objects. In the future, further investments are to be expected, especially in the storage of digital funds in individual institutions and the maintenance and renewal of other technical equipment, not only from EU funds, but also from the State Budget. For this reason, the SAO SR recommended to the Ministry of Culture to develop a departmental strategy after 2021 for **permanent and systemic financing of the further functioning of digital collections, including the issue of digitalisation and the use of its results for disseminating knowledge about cultural heritage at home and abroad.**

4.1.3 CADASTER ELECTRONIC SERVICE PROJECT – EXAMPLE OF BAD PRACTICE

While the SAO SR evaluated the project of digitalisation of the national cultural heritage as successful, **the cadaster electronic services project (KA 018/2019)**, implemented by the Geodesy, Cartography and Cadaster Office, represents and based on the audit results, an example of bad practice in public resources use.

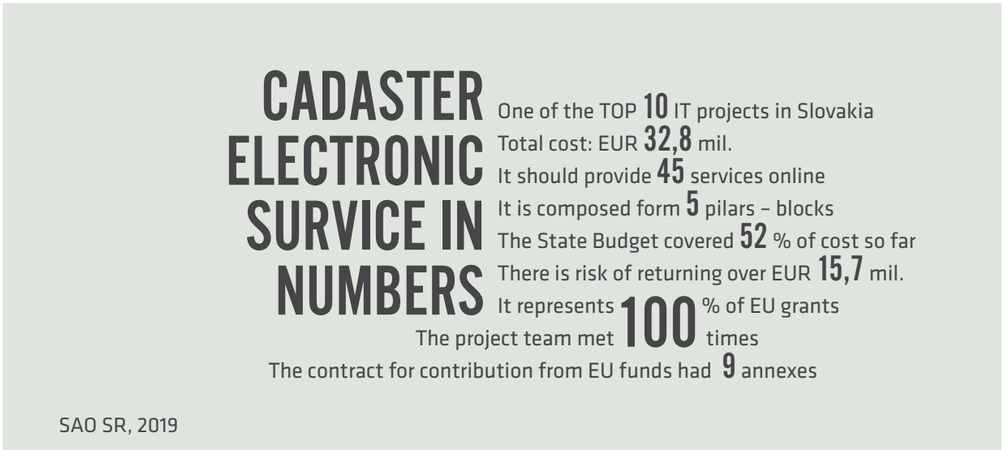
The Cadaster, under the responsibility of the Geodesy, Cartography and Cadaster Office SR Republic (OGCCO), **serves for the protection of real estate rights, for tax and fee purposes, but also for the valuation of real estate, including land.** It is important in the protection of agricultural and forestland, the environment creation and protection, as well as mineral wealth. It has a significant use in the cultural monuments' protection, protected areas and nature creations. In accordance with the national concept of society informatisation and the strategy for Slovakia digital transformation, it is to be used for building other information systems on real estate. The services of a modern cadaster should be provided fully automatically, online, without manual intervention by the operator, or without the need for a personal visit to cadastral departments when dealing with various life situations. Users are not only citizens, entrepreneurs, but also institutions of the Slovak public administration (ministries, National Security Office, police, fire and rescue service, local governments, courts, prosecutor's office, Slovak Academy of Science, etc.), but also European institutions.

The use of cadastral services is one of the important services that citizens and institutions need in dealing with many life situations. What is extremely important, however, is that the **materialisation of these services in the form of various documents should also be applicable to legal acts. This function to be provided by one of the key national projects - Electronic Services of the Real Estate Cadaster (ESREC),** implemented from EU funds within the Operational Program Informatisation of Society.

The main reason why the SAO SR started to be interested in the status of this project is that it is one of the most financially demanding IT projects in Slovakia, **worth approximately EUR 33 mil, which began in 2009 in order to ensure that all required services will be deployed in 2012.** The main goal was to introduce 45 electronic services usable for legal acts, or possibility of submitting and requesting outputs from any cadastral administration in Slovakia.

The project audit showed serious failures in its management evidenced by the fact that during the implementation of the project until the end of the audit, 47 personnel changes were made in important positions within the management team. The project achieved a **seven-year delay** by postponing important milestones through nine amendments to the contract and one request for change.

The implementation of the project was accompanied by problems, despite the fact that in 2011-2019 **OGCCO had concluded contracts for external services for management, quality assurance and the provision of professional consulting services in the total amount of almost 4.5 million paid from the Office's budget.** Pursuant to the Act on Budgetary Rules in Public Administration, these contracts can be considered a serious breach of the obligation to maintain the economy, efficiency and effectiveness of the use of public funds.



Picture 6: Most serious findings in numbers

According to the audit findings, the project was not completed **even in November 2019 in terms of its original indicators and objectives**. Not only the SAO SR, but also the final monitoring report and the conclusions of the on-site inspection performed in the 2019 first quarter by the intermediate body (Office of the Deputy Prime Minister for Investment and Informatisation, formerly it was the Ministry of Finance) pointed out several shortcomings and pointed out unavailability of services in production operation. SAO SR, verifying the deployment of the project in live production, found that the system works in eight cadastral departments of the District Offices and in the remaining 64 departments, it is necessary to use an alternative solution for active communication with the Office via the web portal *slovensko.sk*. Of the five main activities of the project, three activities were not completed and there was no final acceptance protocol for them. **The audit team found that, despite the declared project full functionality, it is not functioning according to specifications and has not entered the sustainability phase.**

Problems with project management reflected in problems with its financing. It was originally assumed that 75 % of the costs (approximately EUR 21 mil) would be covered by EU funds, 13 % from the State Budget and the rest was to be provided from PRO RATA. **As a result of violations of the Public Procurement Act, the amount of corrections reached the amount of almost EUR 10.5 mil**, which were borne by the State Budget – meaning the State expenditure in the project is much higher than originally expected. In total in 2009 – 2019, including the application of sanctions, fines and penalties, more than EUR 32.8 mil was poured into the project.

The picture below sums up the most serious findings: (Picture 6)

The auditors identified several breaches of financial discipline, breaches of the law on budgetary rules in the project and pointed to possible breaches of obligations in the management of alien assets. For these reasons, the audit report was passed to the law enforcement authorities.

4.1.4 MUNICIPALITY READINESS TO PROVIDE E-GOVERNMENT SERVICE INCREASED ALSO DUE TO SAO SR AUDIT

The SAO SR has long been interested not only in the readiness of State institutions to manage the requirements of the society informatisation; it also examines how the self-government is prepared for its challenges. In 2017, therefore, performed an audit focused on e-Government (eGov) and information systems of municipalities and

cities. The audit also examined the effectiveness of spending public funds to provide end-to-end services for citizens, in 70 municipalities and cities with a population of up to 20,000. As of 1 November 2016, one third of the local governments inspected at that time were not prepared to exercise public service electronically. Based on the recommendations of the SAO SR, municipalities and cities took 428 measures to correct deficiencies in 16 areas. Through an audit **(KA 010/2019),** the SAO SR returned to the given topic and found out whether the measures taken led to an improvement in the situation in the area of e-services.

The audit performed in 2019 - in 49 municipalities - confirmed the correctness and effectiveness of the adopted measures and recommendations by auditors from 2017. High success in the implementation of individual measures contributed to significantly higher readiness of municipalities for daily performance and development of eGov in Slovakia. Measures taken by municipalities to eliminate control deficiencies **were effective in 80 % of cases.**

The electronic mailbox of the municipality or city was already a matter of course in the audited period. With the exception of nine municipalities, all audited municipalities recorded a year-to-year increase in electronic submitions. However, **the problem is the small proportion of citizens with an activated e-mailbox**. The analysis of the SAO SR showed that out of the total number of almost 149 thousand permanent residents in the end of 2018, only 0.45 % of them had an active e-mailbox. Residents still prefer personal or paper contact with the authorities. The growth of e-communication is mainly between institutions and legal entities, which has tripled in the controlled period.

More than half of the persistent shortcomings in the implementation of eGov in municipalities and cities concern the so-called info law, e.g. making official documents available to citizens. This shortcoming may be reflected in the distrust of citizens towards local government representatives, but it can also reduce their direct control by citizens.

The lack of certificates for electronic signatures continued to be a shortcoming, but this was in significantly fewer cases than in the past. In 2017, due to the lack of certificates for electronic signatures, up to 70 % of the inspected towns and municipalities could not fully exercise public power. In 2019, after the adoption of measures, only 6 % of audited entities did not possess certificate of electronic seal.

The update of access rights to IS PA was positive. The municipal elections at the end of 2018 resulting in changes in the persons as municipalities statutory representatives, gave the auditors the opportunity to verify the fulfillment of this obligation in practice.

We also consider the need to update the VZN (Generally binding regulation – a sort of a local by-law) on electronic services to be an important finding, which in 2019 escaped the attention of less than a tenth of the audited local governments/municipalities. There is also a significant improvement in this area as well, as two thirds of the audited entities did not have an update in 2017.

After two years, data were obtained to assess the progress of eGovernment in the conditions of local municipalities and a description of barriers for further development. However, municipalities and cities continue to face difficulties in complying with the "once and for all" principle, according to which they must not ask the data from citizens that has been already provided. Therefore, the SAO SR decided to carry out an audit on this topic in order to find out what the main causes of this situation were.

The SAO SR considers the financial resources of municipalities to be one of the serious barriers in the development of electronic performance in public administration and the fulfillment of the municipalities and cities competencies. The rising costs arise from the demands for technical support, equipment, installation of new applications and interconnection of information systems, which many of them have to secure externally. **According to local governments, the volume of regulations in this area is growing enormously, there is no implementing directive for creating and signing electronic decisions, legislation often does not meet the needs of practice, etc. Smaller municipalities do not have the capacity to promote and raise eGov; they consider necessary to improve media communication, resp. education and promotion by the State.**

One of the internal barriers to the eGov services development mentioned by the audited entities is the insufficient staffing of municipalities to cope with the required level of this process. However, there is an improvement mainly due to the acquired experience of municipal employees, as well as the increasing number of entities using eGov. A negative evaluation of eGov development was recorded in only four percent of the audited sample.

When evaluating the electronic performance of public administration, the difference in the readiness of the city or municipality derived from different geographical location or the size of the municipality/city budget was not confirmed. The priority in the readiness for the quality provision of electronic services is the approach of an individual or a specific self-government, not the distance from a district or regional city.

Despite these problems, the process of informatisation in self-government is a successful IT project. The development of eGov however requires stronger State activity, especially in promoting the use of e-services in all citizens´ life situations that leads to easier fulfillment of obligations to the state and self-government, but also to the exercise of civil rights. Therefore, the SAO SR provided the following recommendations to the Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatisation:

- **Intensify education, awareness and promotion of specific procedures in e-communication in individual life situations of citizens. At the same time, explain more specifically the benefits and advantages, but also the security elements of electronic communication, in order to increase the number of active electronic mailboxes at the national level.**
- **Introduce the so-called a dual communication system that would allow citizens to use the traditional form of communication for a sufficiently long time, despite the activated e-mailbox. In justified and predefined cases, introduce the possibility of returning the citizen from exclusively "electronic delivery" to the "paper world" (seniors, etc.).**
- **Create a suitable demonstration tool - e.g. demo e-mailbox / test box - through which citizens can practically verify the contribution of electronisation to solving life situations as part of the explanation and promotion.**
- **Increase the quality of State e-services, the quality of reference registers and stabilise the level of central solutions of the ICT system, including a further increase in the user-friendliness of the www.slovensko.sk website.**
- **Rationalise the method of updating legislation and implementing regulations in the field of e-Gov.**
- **Introduce central coordination of processes for municipalities and, if interested, for cities.**

4.1.5 THE ELECTRONIC TOLL REVENUE IS NOT OPTIMAL

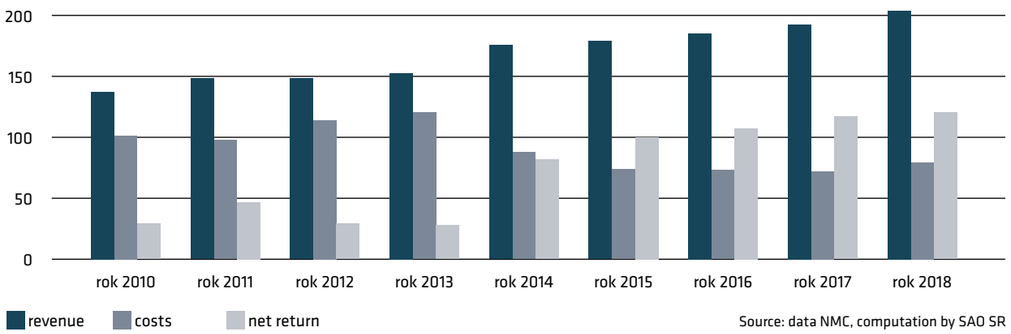
The issue of road infrastructure belongs to the important topics of the Office audit activities. One of the issues the auditors' attention is focused on are financial resources to ensure the development and maintenance of all components of this infrastructure, including road construction. Based on the analyses by the SAO SR used to prepare opinions on the Budget and the Final Account, the **Office repeatedly pointed out the lack of own resources for the development of road infrastructure, especially lower-class roads and road constructions located on them.**

Slovakia, like other EU countries, uses tools to regulate the use of the motorway network, expressways and some sections of first-class roads in passenger and freight transport in the form of motorway tolls and stamps. **The efficiency of the collection of these payments and where the payments go was the subject of the SAO SR audit in 2018 - motorway stamps, and in 2019 - electronic toll services (KA 024/2019).**

The second reason for the toll audit was the fact that the National Motorway Company (NMC)'s contractual relationship with SkyToll, a. s., which provides electronic toll collection, was concluded from 2010 to 2022 with the possibility of its extension by 5 years. **Any extension of the contract or the search for a new service provider should be justified by the advantage or disadvantage of the service provided based on objective information (also from the audit by the SAO SR).** The course of resolving a similar issue in the Czech Republic also pointed to a number of problems that both the NMC and the relevant ministry must be prepared for if wanting to terminate or extend the contract. First and foremost, you need to have enough time to make decisions and not be under pressure. **By its audit of the revenue's distribution from electronic tolls, the SAO SR wanted to provide information that is important for this decision-making process.**

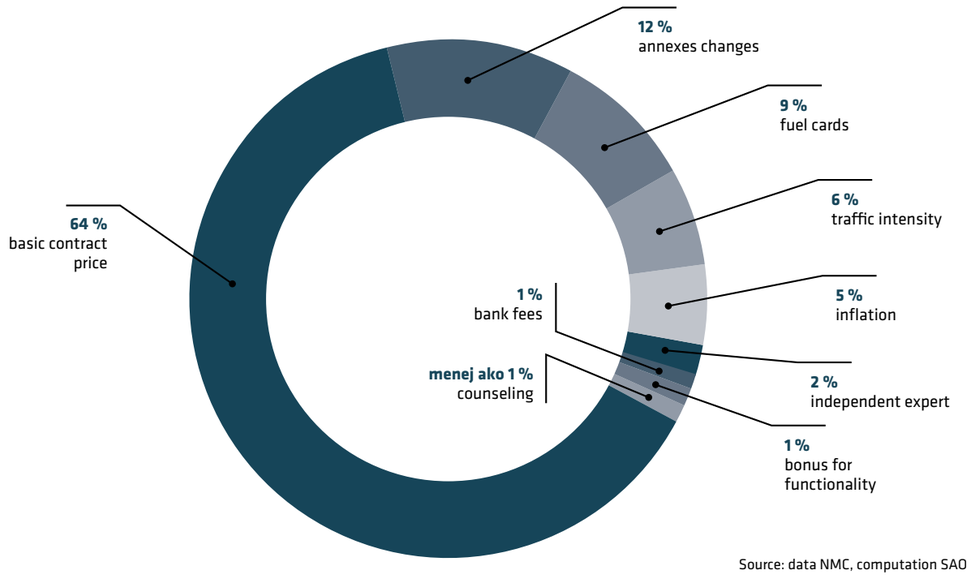
The price of the contractual contract was set at EUR 716 mil. Part of this price was also the proposal for the construction of the service, the price of which was calculated at EUR 256 mil. From the beginning of electronic toll collection until the end of 2018, payments reached the value of EUR 1 576 mil. An independent expert evaluates the efficiency of electronic toll collection as high - at the level of about 98 %, which means that only about 2 % of payers avoid paying tolls in various ways. (Graph 11)

However, the information provided by the audit about the distribution of revenue from electronic toll services was no longer so positive. Of the amount of more than EUR 1.5, bn collected, SkyToll a. s. acquired EUR



Source: data NMC, computation by SAO SR

Graph 11: Development in revenues and costs in toll system (EUR mil, VAT excluding)



Source: data NMC, computation SAO SR

Graph 12: Distribution of toll collection 2010 – 2018 (in %)

760 mil representing 48 % of the value of the toll. This amount was already in 2018 higher by EUR 44 mil comparing to the price set for toll collection services during 2010 - 2022. Other contract partners acquired EUR 108 mil and the remaining amount of **EUR 709 mil was received by NMC. Of this amount, 47 % was used by the NMC primarily for the maintenance, repair of the motorway and expressway network, 26 % went to its own operation, and only the remaining 20 % was used for the development of the motorway network.**

The high share of electronic toll service providers and other private entities in toll collection is conditioned by contractual conditions, the numerous amendments of which enabled such a situation. The contract price of the service is increased every year (by a total of EUR 105 mil) due to a quantitative increase in toll users (EUR 52 mil) as well as the payment of incentive rewards (EUR 5.7 mil) for the system to work. The costs associated with applying the valorisation to the basic annual price of the service (including supplements) based on inflation (EUR 41.6 mil) are also significant, while a downward adjustment of prices in the event of deflation is not possible under the contract. The audit also pointed to other high costs related to the provision of service for the toll fuel cards (EUR 76.3 mil) and to the provision of the services by an independent expert (EUR 21.8 mil). (Graph 12)

The fact that the Government considered toll revenues an important source of financing road infrastructure was evidenced by its resolution 24/2013, requiring the NMC to cover the entire net proceeds for the development of the road infrastructure owned by NMC (after the investment costs for the construction of the toll have been repaid). This resolution was later repealed, **so only EUR 97 mil went into the construction of road infrastructure and its development from a net revenue of EUR 474 mil. The NMC used EUR 123 mil for its own needs** and that was about EUR 26 mil more what went into the development of roads in their possession. However, in the logic of the toll system, this amount should be used for the development of road infrastructure and not to cover other NMC needs. **The SAO SR therefore recommended to the Government to consider binding limits for NMC for the use of net toll revenue.**

Based on the audit findings, the SAO SR concluded that the electronic **toll collection system and its distribution does not meet its basic objective and only minimally contributes to the construction of new motorways and expressways.** EU funds with a financial contribution from the State Budget remain the primary source of financing the new motorways and expressways construction. **Therefore, in SAO SR opinion, it is extremely important for the Government to take specific measures that effectively involve all possible relevant resources in the process of building and maintaining road infrastructure, which are outside the government and local government budgets.**

The big challenge the NMC and the Ministry of Transport will face is whether on January 1, 2023, **SkyToll will continue to be the toll system operator, or whether Slovakia wants to look for another solution.** MTC SR is responsible for ensuring that the NMC ensures a smooth collection of tolls even after 31 December 2022. In the near future, it is important to take a decision, including the property and legal settlement of ownership of the toll system and technical equipment. The fact that achieving a solution that would mean a substantial increase in the share of toll collection in road infrastructure **will not be easy** as evidenced by findings from the neighbouring Czech Republic, where they faced a similar problem with the toll operator as identified by Slovak auditors. **Therefore, it is important that the Ministry and the NMC deal with this issue in a timely manner and in full complexity, so as not to put the State in a time constraint in which it will not be possible to make a factual, professional assessment of the effectiveness, efficiency and economy of the chosen solution.**

4.1.6 THE LEGISLATION INTELLIGIBILITY AND UNAMBIGUITY IS IMPORTANT FOR PROTECTION OF PERSONAL DATA IN INFORMATION SYSTEMS

On 25 January 2012, the European Commission presented a new legal framework for the protection of personal data. The final text of Regulation (EU) 2016/679 of the European Parliament and of the Council (General Data Protection Regulation) entered into force on 25 May 2016. From that moment, a two-year transitional period began, when all public and private sector entities processing personal data in information systems (operators) were obliged to prepare for its full application from 25 May 2018.

In 2019, the SAO SR performed the audit **015/2019 System of Data Protection and Security in the Public Sector**, aimed at verifying the compliance of the audited entities with generally binding legal regulations valid for personal data protection and regulations effective in the Slovak Republic from 25 May 2018. **The audit goal was to reveal areas of public administration where the protection of personal data does not work at all or works inefficiently, or the obligations are fulfilled only formally, and analyse the extent to which this situation is affected by the size of the audited entity, resp. the scope of the information system operated.**

The whole process of verifying compliance of the adopted measures with the Regulation (EU), Act 18/2018 Coll. and the decree by the Ministry of Finance was divided into several comprehensive separate areas. The operators (with the exception of MS SR) were asked the same key questions, which were assigned points (weight), and were finally evaluated according on a scale from one (best rating) to five (worst rating).

Sixty-two entities (State authorities, HTU, regional cities, district towns, municipalities) that operate information systems processing personal data in the public sector were assessed. In the selected sample,

various public administration bodies were represented from the whole Slovak Republic. The scope, content and importance of information systems in which operators process personal data of Slovak citizens was an essential criterion in the selection of State bodies.

The conclusion of the audit is that the overall state of personal data protection in the audited entities, according to the uniform methodology, was evaluated with a mark of 2.87; e.g. that the protection of personal data is ensured and complied with by operators with reservations. A more detailed evaluation is in the following table. (Graph 13)

Other important findings include the following:

- **the level of quality of personal data security in the public sector decreases in proportion to the size of the public administration body responsible for the security of personal data processed in information systems containing personal data;**
- **low level of personal data security in information systems in small public administration entities (small municipalities and cities up to 6,000 inhabitants) is mainly related to insufficient financial resources intended to ensure data protection, as a result of which these entities cannot afford to pay professional lawyers, IT specialists and other data protection professionals;**
- **Act 18/2018 Coll. on Protection of Personal Data has already been identified as incomprehensible and internally contradictory in its proposal [mainly due to the almost literal transposition of the text of the EU Regulation into its content]. The operators identified the above as the second serious reason why they could not apply or did not apply the personal data protection legislation correctly or in full;**
- **The personal data protection does not work sufficiently and effectively also due to the formal fulfillment of obligations by operators; in particular, there is an insufficient level of security of personal data in databases and information systems operated by public administration bodies (State), even one year after the entry into force of Regulation (EU) and Act no. 18/2018 Coll.**
- **The Ministry of Justice, based on its competence established by Act 18/2018 Coll., has not put (since 25 May 2018) into practice an effective control system for compliance with the rules introduced in the given Regulation in the personal data processing by courts during the exercise of their jurisdiction.**

The SAO SR audit has shown that, across the entire public sector, entities suffer not only from an acute lack of funds intended primarily to ensure the protection of personal data, but also from a lack of experts dealing with this issue.

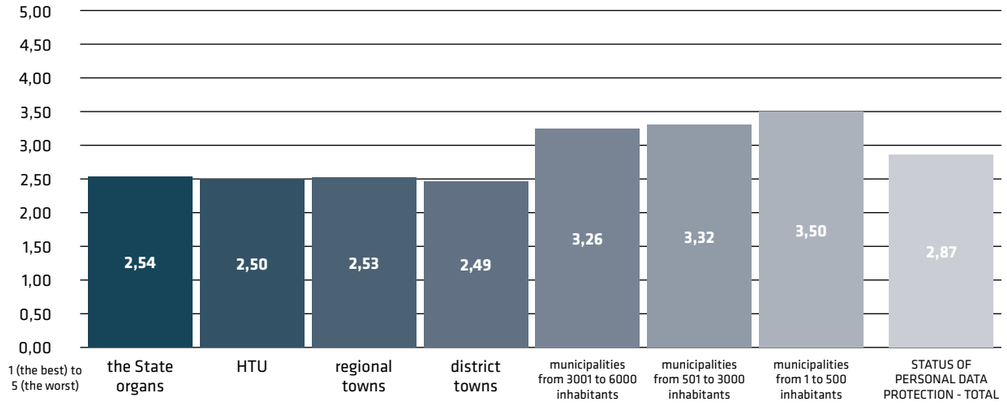
In the past, the EC has warned the Slovak Republic that the position of the Office for Personal Data Protection SR and the exercise of its powers in the budgetary and financial field **is not independent completely and, in the national legal order, these powers are not in line with EU law.** EU regulations explicitly require Member States to grant such independence and budgetary independence to this supervisory authority. **The SAO SR therefore recommended that the National Council of the Slovak Republic re-examine the content of the relevant articles of the Regulation and take measures to eliminate the inconsistency of our legislation with EU law.**

4.2 FOCUS ON STATE ENTERPRISES AND JOINT STOCK COMPANIES

In the structure of the country's economic entities, state-owned enterprises and state-owned joint - stock companies, also serve to ensure various social needs and public benefit interests. In accordance with the valid legislation, the State creates conditions for their activity; their founders are the central State administration bodies. State-owned enterprises and State-owned joint-stock companies have a significant asset value; they often fulfil the significant strategic needs of the state. Therefore, the SAO SR also pays attention to this group of economic entities through audit activities focused on various areas of their operation.

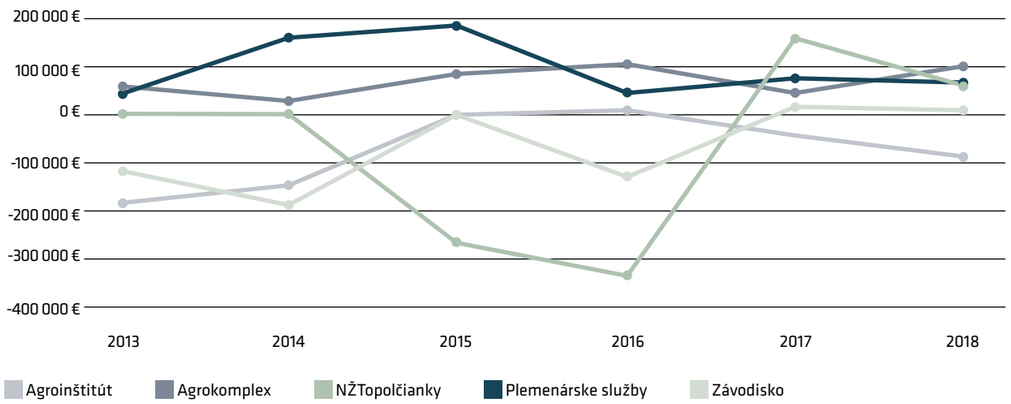
4.2.1 TOO MANY WEEK POINTS IN OBLIGATION FULFILMENT BY THE STATE ENTERPRISE FOUNDERS

The sector with the largest number of State enterprises is the Ministry of Agriculture and Rural Development of the Slovak Republic, which is the founder of eight State enterprises. **The current aggregate residual value of their assets is more than one billion euros.** Most of them are significantly income-related to the State Budget through a system of national support (subsidies and state aid), but also contracts with the departmental founder.



Source: audited entities, computation by SAO SR

Graph 13: Personal data protection status



Graph 14: Development of State enterprises economic results

Another ministry, which fulfills the function of the founder of three State-owned enterprises, is the Ministry of the Environment of the Slovak Republic, one of which, the Slovak Water Management Company, has the character of a natural monopoly.

As part of its audit activities, the SAO SR focused on the management system of State-owned enterprises in both ministries. The main goal was to verify whether individual State-owned enterprises manage their development based on adopted concepts as an important tool of strategic management. The performed audits also included an assessment of the State-owned enterprises management and the way in which the founding Ministries perform control activities vis-a-vis State-owned enterprises.

The audit of State-owned enterprises took place over a period of three years, during which the SAO SR assessed the effectiveness of the State operation as

the founder of State-owned enterprises in the agricultural sector. Subjects of control 2017 - 2018 were State enterprises - Lesy SR, Lesný závod Ulič and Hydromeliorácie. In 2019, the audit continued by assessment of the management and administration system of State-owned enterprises in this sector in audit **022/2019.** DAO SR performed audits in **the State enterprises Agroinštitút, Agrokomplex, Národný žrebčín Topoľčianky, Plemenárske služby and Závodisko, as well as at MARD SR as the founding Ministry.**

In individual State-owned enterprises, the audit focused on the results of their management. The development of the economic situation was assessed in basic economic indicators. The development of the profit or loss in audited State-owned enterprises over the past six years is in the in Graph 14. (Graph 14)

In accordance with their character, they carry out various commercial activities with a nationwide scope. **Only two companies report long-term profit** – Plemenárske služby and Agrokomplex. However, both are recipients of public funds annually through contracts with the Ministry of Industry and Trade of the Slovak Republic and state aid. In the case of Agrokomplex, the profit in 2016 was based on the recognition of a higher estimate of indemnity for the fire than was actually the case. In 2017 and 2018, the Topoľčianky Národný žrebčín and Závodisko achieved a positive economic result - also thanks to subsidies. On the contrary, the long-term loss-making Agroinstitute, as a departmental educational institution, has also faced in recent years the adverse consequences of the lack of coordination of education in the sector.

It follows from the above that at least three of the audited State-owned enterprises would have serious economic problems if they were not significantly supported by the founding sector. Revenues from own activities would not be sufficient for basic operating needs in the case of Žrebčínec, Závodisko and Plemenárske služby, and therefore support in the form of subsidies and assistance is necessary. However, such support does not have precise rules and its amount depends on the decision of the founder, which makes it difficult for the company's management to manage it and distorts plans for the future. Financial support is usually sufficient only for simple reproduction of assets; therefore, the development of all audited entities stagnates.

The audit of these enterprises showed in practice non-compliance with the measures adopted by the Ministry of Agriculture after the previous audits. In several cases, the auditors found repeated errors in the area of State property management and management of funds (Agrokomplex, Závodisko), or in the area of bookkeeping, contractual relations (in all companies). Other failures were identified in cases of concluding contracts without proving transparent public procurement (Závodisko), the absence of an internal regulatory basis, the internal control system, but also in other areas. The largest number of shortcomings related to the uneconomical use of State finances and property was found in 2019 in the state-owned company Závodisko, which has been receiving repeatedly increased subsidies from the founder for several years.

The audit also points to insufficient management of these State-owned enterprises and inefficient management of public finances due to unfinished investment projects. An example is the process of business development concepts, which set the key goals - financial indicators, investment direction, or management of State-owned company assets. The Ministry did not approve the key document in advance, before the beginning of the accounting year, but during it, in some cases even in the second half of the year to which the goals were already mandatory by law. In practice, this shortcoming was most evident, for example, by the number of ongoing but unrealized investment projects (e.g. Agrokomplex - reconstruction of pavilions; Závodisko - multifunctional grandstand under construction, investment plans for business development), which **ultimately led to inefficient use of public and corporate funds.**

In this context, the SAO SR critically evaluates the care of the companies´ founders for the property in the administration of State enterprises, which is not at the required level. SAO SR also bases this statement on the fact that the founders have not provided companies with funds for maintenance and modernization of buildings for several years, so this investment debt continues to grow. The situation in Žrebčínec Topoľčianky is alarming, and the emergency is in the dilapidated and unreconstructed national cultural monument - the Malanta Manor House. In this case, the SAO SR recommended to the founder to immediately initiate negotiations on financing possibilities with the Ministry of Finance SR, the Ministry of Culture SR, and possibly also with the Nitra HTU.

Despite the fact that the founder has the majority of representatives in the control bodies of State-owned enterprises (supervisory and control boards), the SAO SR cannot state their positive influence on the administration, management and control of enterprises. However, the formal approval of documents submitted by State-owned enterprises in sections of the Ministry and the too frequent changes in priorities in the economic activities of enterprises **point even more significantly to the absence of medium-term strategic planning and conceptual management by the Ministry**. At the same time, it considers a transparent procedure for selecting and filling the positions of managers and members of the control bodies of state-owned enterprises to be key. In this context, SAO SR points to the cases of extremely frequent changes of management in Agrokomplex and Závodisko, as well as to the consequences of such a procedure.

The founding documents of these companies show that they usually have to perform important public benefit functions (e.g. Breeding Company, National Stud Farm). However, without financial support, companies cannot perform these functions as would be desirable and necessary. However, the forms of support are not systemic in nature; their size is not known in advance. **The SAO SR therefore recommends the Ministry to consider whether another form of existence of these entities (e.g. a contributory organization) would not be more suitable for securing the public benefit interest than the form of a State enterprise.**

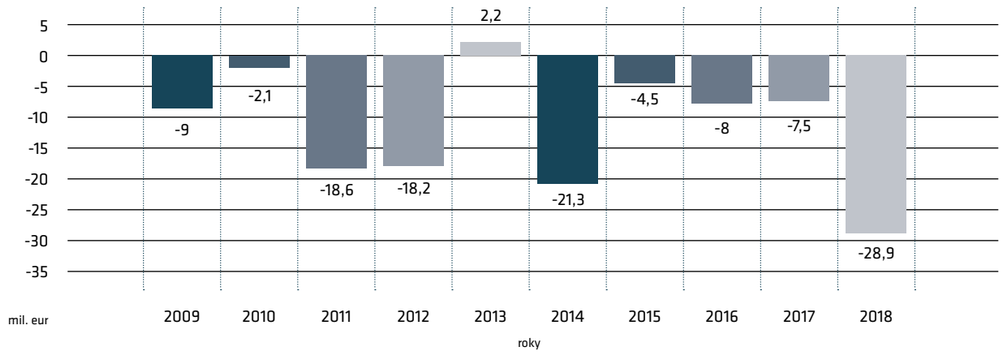
On the other hand, it is clear that in the current period the services provided by the Agroinstitute or most of the activities by Agrokomplex have the character of market goods. However, due to the state of their assets, they are not able to be a full-fledged competitor to private providers of similar services. Due to their legal form, they cannot apply for EU funds and their economic position does not allow them to obtain significant loans. According to the audit, even the employees of the Ministry of Agriculture do not use these facilities for their educational activities, due to the poor condition of accommodation and educational premises. **Therefore, even in the case of these two State-owned enterprises, it is necessary to take a strategic decision about their continued existence.**

The SAO SR submitted to the MARD SR specific recommendations for the solution, resp. the situation improvement. Above all, it is important that **the further development of individual State-owned enterprises is based on the conceptual intentions of the Ministry**, which would present other possibilities for each State-owned enterprise to operate in the future so that these conceptual intentions can be developed into medium-term development strategies. However, it is necessary that the implementation of the strategy specified in the documents be evaluated regularly, so that the results are published in the annual report of the company, but also the Ministry.

The audit of the **Slovak Water Management Company, s. e., and the founding competence of the Ministry of the Environment SR (KA 021/2019)** sought an answer how the Ministry exercises its founding functions, and also how the conceptual activity of the Ministry influences the development of water management, which is an important strategic entity. This State-owned enterprise manages and protects the quality and quantity of surface and groundwater, rivers in Slovakia and the property built on them by the state. In the public interest, it also takes care of flood protection and the creation of navigation conditions on rivers.

The audit of the proceedings in 2016 - 2018 revealed that the Ministry of the Environment SR, as the founder, does not develop strategic concepts for the development of State enterprises so that they clearly set development goals in the water management policy system. To a decisive extent, these usually three-year documents **focus on solving current problems and are not focused on the sustainable development of the company.** Often, targets are set in a way that makes it impossible to determine the state of their achievement or the progress made. The individual State-owned enterprises form their development concepts and submit them to the Ministry for approval. Again, these are rather documents that contain ideas about short-term and operational solutions to the company's problems and do not contain long-term development plans for development. Rather, these short-term goals are not always set in such a way as to assess their fulfillment and the effect they should have.

Based on the assessment of the process for creating State enterprise development concepts and the way they are applied in management; **the SAO SR recommends to the Ministry that State enterprise development concepts be truly conceptual materials to include long-term plans based on water management policy objectives focused on surface and groundwater quality.** The concept should give a clear idea what goals of this public policy are to be achieved by companies in the long term and how the fulfillment of these concepts will be assessed. On this basis, individual State-owned enterprises in the environment sector could draw up their own documents, the fulfillment of which would ensure their development and stability in



Source: Register of financial statements, MEN SR

Graph 15: Profit in SVP, s. e. (EUR mil.)

fulfilling the main mission they have to fulfill as subjects of public policies.

Within the management of the state enterprise SVP, s. e., the most serious findings relate to the condition of the property, which the state enterprise is not able to manage that all its components are in the required technical and operational condition. The main reason is the long-term underestimation of financial resources from the State Budget necessary to ensure the tasks that the State enterprise has to perform. The difference between the requested and remitted funds from the SB has reached a negative value of EUR 166 million since 2010.

The lack of funds reflects in the current poor technical condition and sustainable operability of water works. An example of unsatisfactory technical condition can be floating mechanisms, which Slovenský vodohospodársky podnik, s. e. (SVP s. e.) uses, and which are 35 to 55 years old. Their outages due to obsolescence that may in a short time cause Slovakia to have problems fulfilling its important international obligation - the Belgrade Convention on the Regime of Navigation on the Danube. Outdated construction mechanisms, which are 24 to 45 years old, are also a problem, and the company does not have sufficient financial resources to replace them.

SVP s. e. achieved the last profit in 2013 - in sum of EUR 2.2 mil. Since 2014, it has always ended in loss; the highest annual loss was recorded in 2018, almost EUR 29 mil. **A change in charges for groundwater abstraction and wastewater discharges to surface waters would help** to improve the company's revenues. The amount of fees levied by the SVP s. e. in favor of the Environmental Fund in 2016 to 2018 reached EUR 37.5 mil. SVP s. e., as the administrator of significant watercourses, received only EUR 2 mil to cover costs.

Therefore, the SAO SR recommended the Ministry of the Environment SR to reconsider the distribution of fee income so that a larger part than before will serve the needs of SVP e. e. that would also allow to partially improving the financial situation of the company. The SAO SR points out that the loss of SVP, s. e., is growing every year, while the accumulated loss of the company at the end of 2018 exceeded EUR 169 mil. The company addressed the lack of funds through loans. While the credit burden reached almost EUR 43 mil between 2016 and 2017, in 2018 it rose to EUR 48 mil. (Graph 15)

The SAO SR drew attention to the problems of financing the renewal and modernisation of the company in the final report on the audit of flood protection measures carried out in 2018. The Ministry of the Environment SR adopted several measures, the effects of which may only be felt in the long term.

Based on the audit results in state enterprises in the Ministries of Agriculture and the Environment, the SAO SR pointed out their insufficient conceptual activity in relation to state enterprises of which they are founders, as well as the problems of management of these enterprises. **To improve the situation and strengthen the transparent exercise of property rights, it will be appropriate to amend certain legal norms - such as the Law on State-owned Enterprises, strengthen internal control mechanisms in companies and ministries, as well as adjust the rules of personal accountability or enforcement of state property management.**

At the same time, the SAO SR draws attention to the fact that generally binding legal regulations do not regulate the procedure for the management of surplus State real estate in the administration of State-owned enterprises. In this context, **it recommends to make a legislative amendment to the Act on the Conditions of Transfer of State Property to Other Persons** in order to harmonise the procedures for the sale of surplus State real estate in the administration of state enterprises with the procedures of Act 278/1993 Coll. on the Administration of State Property, as amended.

4.2.2 STATE JOINT STOCK COMPANIES – TOO MUCH OF EXTERNAL SERVICE

Each year, the revenue part of the State Budget assumes a part of non-tax revenues, which represent dividends as a result of the appreciation of the State ownership interest in various joint-stock companies. MH Manažment akciová spoločnost is a company that has been the universal legal successor of the National Property Fund since 2016. The assets of the fund were transferred to this company, including ownership interests in the business of legal entities, as well as other rights and obligations arising from various legal relationships in which the Fund was a party.

The main role of MH Manažment since its establishment was to ensure the exercise of shareholder rights in 52 joint-stock companies, 25 of which were in bankruptcy. The most important companies in terms of shareholder rights are transport and heat producing companies. **The total amount of dividends for the period 2016 - 2019 was less than three mil. EUR, of which the contribution to State assets was only 74,400 EUR, which means that the State income from the exercise of shareholder rights of the company MH Management, a. s., was minimal for the audited period.**

The SAO SR audit focused on the management of this joint-stock company **(KA 026/2019)** pointed to a constant decrease in the company available funds. At the beginning of 2016, the company had usable funds of more than EUR 39 mil. Over the course of three years, the company's revenues increased by 10.8 mil and expenses of almost 46 mil. The volume of usable resources thus decreased significantly and at the end of 2019, it was EUR 3.8 mil.

On one hand, this situation is mainly due to the structure of the Fund liabilities and dubious receivables from privatisation. On the other hand, litigation represented high cost. In the years 2016 - 2019, the company was a party to 39 lawsuits, of which 17 involved monetary performance. **The costs of litigation in the given period reached more than EUR 29 mil.** External legal services were mainly used to provide legal advice and legal analyses. Due to the prices of some legal services, the Ministry of Economy SR, the sole shareholder, performed an analysis of these services. The result were findings of non-transparent proceedings in the allocation of litigation; subsequently, personnel changes were made in the company bodies.

However, the value of litigation the company is involved in remains high. The accounting provision for litigation is **more than EUR 30 mil but is not financially covered**. In the event of compliance, the settlement of these disputes would be borne by the State Budget.

Expenses associated with the operation of the company in three years amounted to more than four EUR mil with personnel costs accounted for 60 %. At the end of 2018, the company had 16 employees with average salary of almost EUR 2 900.

The conclusions of the audit point to a number of expenditures, the amount of which does not indicate the economical spending of funds or the economical use of assets. It concerns an unusual price of renting a personal motor vehicle and its equipment, not using residential and non-residential premises representing unproductive costs of administration and maintenance.

The MH M company has been in the mode of abatement activity since 2018. The SAO SR recommends preparing a document about its further operation, including a time schedule and specific steps that would lead to the termination of its activities. There is a need to review the work of this organisation and consider whether it would not be more efficient and effective to move its agenda to some other ministry with experience in difficult litigation.

The high volume of external services, especially legal and consulting services, and their effective use were the conclusions of the audit in ŽSR jsc (Slovak Republic Railways joint-stock company) **KA 025/201 Provision of external services in ŽSR jsc.** During the

audited period of 2015 - 2018, the railway company concluded more than a thousand contracts with external service suppliers for more than EUR 25 mil. Several contracts, especially for the provision of legal and advisory-consulting services, show signs of uneconomical use of financial resources; the original prices of services are often increased by the contract annexes (even by 400 %).

The SAO SR does not dispute that such a large company, which provides many activities related to rail transport, also needs to use various external services. However, the audit showed that the subject of advice and consultations are often also such problems that the company should solve with its own employees; as an option, it also seems more effective to build their own professional teams for such activities. A framework contract migh serve as an axample when the supplier monitors the long-term challenges for ŽSR within the 2014-2020 programming period. The uneconomical use of external services is also pointed out in several contracts for the studies preparation, when the company insufficiently proved their usability; that was also confirmed by the conclusions of the internal audit by ŽSR General Directorate.

Based on the audit results, the SAO SR proposed for ŽSR jsc, a set of recommendations leading to more efficient and effective use of external services; recommendations have been accepted by the railway company.

4.3 WHEN PUBLIC SERVICE APARTMENTS CHANGE THEIR PURPOSE AND REAL ESTATE ARE NOT USED IN LONG TERM

Fulfilling the tasks of several departments requires having a certain amount of service housing available, in order to ensure the desired mobility and stability of the necessary staff. For this reason, service apartments/flats play a particularly important role in the case of the power departments - defense and interior. As part of the audit, which in 2018 focused on evaluating the effectiveness of the ESO program, the SAO SR auditors found a significant loss of assets under the administration of the Ministry of Interior represented by the sale of service apartments. Due to certain doubts about the legal and economic use of these assets, the issue of the use of service apartments became the subject of audit **014/2020 Use of service apartments owned by the Slovak Republic**. The audit was to verify whether the use and sale of service apartments in 2015 - 2018 at the Ministry of the Interior SR, the Ministry of Defense SR and the Housing Agency of the Ministry of Defense were performed in accordance with generally binding legal regulations. **Deficiencies were found in all three audited subjects.**

The sale of service apartments at the Ministry of the Interior SR and in the Housing Agency of the Ministry of Defense, in the SAO SR opinion, showed signs of illegality. The sale made in accordance with Act 182/1993 Coll. on the Ownership of Flats and Non-residential Premises, while this Act did not apply to the sale of such service apartments. The transfer of the service apartment's ownership to private ownership caused a significant financial loss to State, because between the purchase apartments price, calculated according to Act 182/1993 Coll. and the market price was a significant financial difference. (Table 3)

Table 3: Comparison of selected apartments prices and calculation of possible market price

town	year	purchase price	average market price	difference (State´s possible profit/loss)
Zvolen (4 rooms)	2017	33 041 €	80 386 €	- 47 344 €
Zvolen (3 rooms)	2017	22 793 €	57 440 €	- 34 646 €
Nitra (4 rooms)	2017	17 202 €	64 338 €	- 47 135 €
Nitra (3 rooms)	2015	17 819 €	49 150 €	- 31 331 €
Žilina (3 rooms)	2015	13 159 €	50 039 €	- 36 880 €
Bratislava (3 rooms)	2015	42 528 €	158 871 €	- 116 343 €
Bratislava (3 rooms)	2017	5 734 €	138 977 €	- 133 243 €
Trenčín (4 rooms)	2018	15 613 €	77 814 €	- 62 201 €
Trenčín (3 rooms)	2016	12 969 €	49 700 €	- 36 731 €
Prešov (1 room)	2016	2 353 €	33 406 €	- 31 053 €

Source: SAO SR own computations, National Bank of Slovakia, and Housing Agency of the Ministry of Defense

A review of the lease agreements for service apartmetns revealed that prior to the sale of the apartment the tenant had a purposefully **changed lease from a definite period to indefinite period** by a new lease agreement or an addendum to the original one. This procedure was in conflict with Act 189/1992 Coll. on the Adjustment of certain Conditions related to the Lease of Apartments and Housing Compensations. The Act **does not allow a lease for an indefinite period in the case of a service apartment, but only for a period during the emplyment or other employment relationship.**

The Housing Agency of the Ministry of Defense also sold apartments to tenants who, **after the termination of their employment, had long since lost their right to use a service apartment or secured housing compensation.** In neither case was the provision of the Civil Code used as the housing compensation could also have been alternative accommodation or shelter. **Between 2002 and 2018, 3 224 service apartments were sold in this way.** Examination of the lease agreements also revealed that they did not sufficiently state the conditions of lease termination, in particular the possibility of termination by the property owner. The tenant was not required to report the termination of employment, stricter sanctions for non-payment of rent and fees associated with the use of apartments were missing, for example termination of the lease after three unpaid monthly installments, etc.

Other examples of uneconomical and inefficient use of service apartments were found at the Ministry of Defense SR, when out of six flats, only one flat was used in the audited period. Five flats were not used for a long time; e.g. 3-room apartment since 2011, the most expensive 5-room apartment (priced at EUR 400 000) since 2014. The Ministry of Defense SR did not dispose of unused apartments in any way, which acted in violation of the Act on the Administration of State Property. At the same time, it paid regular monthly fees to management companies for unused service apartments. **These expenditures were an uneconomical and inefficient use of funds, which was in conflict with the Act on Budgetary Rules of Public Administration.**

Due to the suspicion of the fulfillment of the factual nature of the criminal offense of breach of duty in the administration of foreign property, the SAO SR reported the results of this audit to organs acting in criminal proceedings.

The **Audit of the management and use of State property by the Office of the President of the Slovak Republic - KA 009/2019** pointed to the problem of long-term non-use of real estate intended for housing. The President Office manages real estate originally intended as the residence of the President of the Slovak Republic. Since 2004, the property has been unused, uninhabited and has not fulfilled the purpose for which it was acquired for a long time. The property in question is not used for representational purposes because it is in unsatisfactory condition and requires a complete reconstruction, for which the President Office has no funds.

In the given situation, the SAO SR called for the cooperation by all interested parties **in the implementation of the Government SR resolution, approving the proposal for the provision of real estate for state representation and housing for the highest constitutional officials of the Slovak Republic.** In order to put an end to the uneconomical use of resources for its maintenance, SAO SR also called for a final decision as to whether the President's residence is suitable and usable in the future for such or similar purposes.

4.4 THE RESOURECES FOR CULTURAL HERITAGE PROTECTION ARE NOT USED TRANSPARENTLY ENOUGH

Slovakia is one of the countries with an immense cultural heritage. At the end of 2018, the monument fund consisted of more than 15 thousand movable and almost 10 thousand immovable cultural monuments, 28 monument reservations and 82 monument zones. **However, more than a quarter of the protected monuments are in a disturbed to desolate state.** The largest share is owned by natural persons (28%), followed by municipalities (27%) and the Church (26%). The State owns 9% and legal entities 7% of immovable monuments.

Every owner of a monument is obliged to maintain it in good technical condition and to carry out its basic protection at his own expense. The Ministry of Culture, as the bearer of the State policy in the field of

Table 4: The amount of funds approved and required for the restoration of monuments

The amount of funds	period			total
	2016	2017	2018	
a) supported/approved by MK SR (in EUR ´000)	6 567	10 423	13 397	30 387
b) requested (in EUR ´000)	32 298	44 113	54 710	131 121
Proportion a) / b) [in %]	20,33	23,63	24,49	23,17

Source: Statistics from subsidy system MK SR

cultural heritage protection, does not have sufficient tools to enforce compliance with these rules, which leads, among other things, to the extinction of rare historical monuments and buildings. For example, in the audited years 2016-2018 alone, 34 monuments and one monument zone in Tvrdošín officially disappeared. There is also a lack of a comprehensive overview of financing the restoration and the state of monuments.

The departmental subsidy system has been operating since 2011 and it helps owners of monuments with the financial costs of their repair. It is the only form the State compensates the burden on the owners of protected real estate directly from the Budget. Under the "Let's Renew Our House" programme, the owners can apply for subsidies based on the submitted project, but there is no legal title binding the State to provide funds. Audit **KA 005/2019 The preservation and Restoration of National Cultural Monuments** was focused on **how this programme funds are drawn.** Its purpose was to verify the system of financing and compliance with the rules and procedures for drawing funds from the system. The audit was performed at the Ministry of Culture SR and at 33 recipients of subsidies.

Although the volume of funding has increased in recent years **from EUR 6.5 mil in 2016 to almost EUR 13.4 mil** in 2018 according to the findings, it is less than a quarter of the amount of funding requested by monument owners in their projects. At the same time, the owners of protected buildings **demanded more than EUR 130 mil**. However, due to the bureaucratic complexity of the process, the number of applicants is declining every year. Based on the conclusions of the revision of expenditures performed by the Ministry of Finance and Culture analysts, at least EUR 1.8 bn would be needed for the necessary repair of damaged monuments, with a broader view to the technical condition of the monument fund up to EUR 5.5 bn. **The society debt to the care for the national cultural heritage would thus be repaid in 180 years under the rules set today.** (Table 4)

Owners of cultural monuments are not legally entitled to the subsidy; they must meet the conditions set by the Ministry of Culture SR. Once met, applications go through an approval process. In checking the approval of applications for the provision of subsidies, the SAO SR pointed to **the insufficient degree of transparency in the selection and approval of funds for individual projects, when, for example**

- the information given in one of the minutes of the commission's meeting did not correspond to the fact (the minutes stated that two applicants were not supported, in fact they were approved and provided with funds in the amount of over EUR 600 000),
- The Ministry of Culture of the Slovak Republic did not record (in the file or in the electronic subsidy system) all the data necessary for the classification and evaluation of applications, for eample missing the date of their delivery (or submission),
- two applicants were provided with subsidies for the restoration of a cultural monument, while a member of the commission that decided on their provision was in one case the managing director and in the other the chairman of the company requesting the subsidies in question,
- the names and signatures of the evaluators were not stated in the evaluation sheets in the point evaluation of applications; dates were missing; scoring on some sheets was done in pencil and some were rewritten,
- the amount of subsidised and approved subsidy and its adjustments were not justified.

As part of the audit, **the drawing of subsidies for the restoration of cultural monuments were also verified with 33 subsidy recipients.** The SAO SR made sure that the restorations were performed in accordance with the Monuments Act and valid decisions on restoration.

However, the SAO SR audit revealed a **number of shortcomings in the area of compliance with contractual conditions and generally binding legal regulations**, which could be minimised with better control of their compliance by the Ministry:

- Some subsidy recipients carried out the renovation of real estate without a valid building permit;
- The volume of work in the grant application was not in accordance with the project documentation;
- The invoiced items were not the same as the actual deliveries;
- some subsidy recipients did not notify, or belatedly notified the relevant Regional Monument Office of the commencement and completion of works, etc.

With better control of compliance, most problems / losses could be minimised.

Based on the audit findings, the SAO SR points out that in Slovakia we do not have sufficient records or an up-to-date overview of monuments, regardless of their catalogueing in terms of monument value. The State does not have information that it could realistically quantify the amount of money reinvested in the renovation by property owners. Today, the Ministry of Culture and no other state institution do not record invested funds for the restoration of cultural monuments, not even those owned by the State outside the monuments under the direct administration of the Ministry of Culture.

Based on the conclusions of this audit, the auditors emphasise that **without multi-source financing, the use of European funds, or other forms of financing and benefits, it is not possible to systematically protect and restore national cultural wealth, a rare monument fund.**

The SAO SR further points out that the **Ministry has not taken any specific measures to stop the extinction of monuments.** The concept of protection of the monument fund, which approved by the Government in 2011, is not continuously evaluated and therefore its fulfillment cannot be assessed. Although the National Strategy for the Protection of the Monument Fund for 2017 - 2022 offers 71 substantive measures through a medium-term action plan, **even when deducting this key document, no data or indicators are available to prove the achievement of strategic goals aimed at saving Slovakia's cultural heritage.**

4.5 SCIENCE PARKS SUSTAINABILITY IS PROBLEMATIC

The basic condition for the quality of research activities is, in addition to qualified human resources, also the level of technical infrastructure. The situation in its construction is gradually improving in Slovakia, especially thanks to the possibilities of financing from EU sources; it was possible **to build university science parks and research centers**. The SAO SR performed an audit **(KA 021/2018)** in seven university science parks (USP) and six science centers (SC). **According to the contracts, the budget for the 13 projects audited reached almost EUR 430 mil. The value of individual projects was in the range of EUR 22 - 42 mil.**

The auditors identified the first problem, namely that the **implementation of projects started late** - only in 2013, i. e. at the very end of the 2007-2013 programming period. Subsequently, in 2015, when the projects were to be completed, a decision was made **to divide them into two phases, which brought several negatives and non-standard procedures.** Six projects were moved into the second phase, seven projects completed the work by the end of 2015. **The project activities of the second phase started from the new programming period 2014 - 2020 within the OP Research and Innovation. Grant agreements for the second phase were concluded between the Managing Authority (MA) and the beneficiaries retroactively - only in the first quarter of 2017.** Some activities were performed for more than a year without any contractual basis and universities reimbursed the costs of building science parks and centers retroactively from 1 January 2016, and that was not in accordance with the law.

However, the dividing the implementation into two phases also brought higher costs for the State, because the Universities - UK and STU based in Bratislava, had in phase II different co-financing rate. While in phase I it was possible to obtain a contribution from EU funds of 85% and with a 10% contribution from

the State, (5 % was the university's own resources), in the second phase the contribution from EU resources was only 50 % and up to 45 % had to be co-financed by the State. In all projects, it was possible to exhaust almost all budgeted funds, except for the Technical University in Košice, which, due to the division of project phases, failed to exhaust almost four EUR mil, because part of these funds was intended for the completion of a detached workplace in Žiar nad Hronom. However, the Banská Bystrica region was not included into phase II, therefore funds could not be drawn in this area. Therefore, the research and development in this workplace was subdued.

Within the projects, **more than half** of the total volume of funds went to **facilities and equipment** (more than EUR 217 mil) and **new constructions** EUR 128.39 mil (31 %). On the other hand, funds in the range of only 0.05 to 10 % were drawn for support activities (project management, information and publicity). An important finding is that **internal guidelines and analyses** in the science parks constructions were prepared by audited entities at their own expense, except for **UPJŠ Košice**, which provided documents for almost **EUR 353 000** through outsourcing. In addition, these analyses were not even fully used in the implementation of the project by the University of Košice, resp. related to activities already in place at the University. According to the SAO SR, such spending of money is not in accordance with the principles of efficiency and effectiveness.

The audit at UPJŠ Košice also found other shortcomings. A physical inspection of the science park premises revealed that no public exhibition had been created, the interactive whiteboard was stored in the basement in the original packaging as delivered; the projector, tablets and four workstations were distributed on two floors of UVP. They created the exposition for the public in the newly built premises only during the inspection. The auditors also found that the two devices were not located in the science park at all, but were installed in a private company that used them. It was only during the inspection that both devices were moved to the premises of the UPJŠ Medical Faculty.

T**he SAO SR also evaluates negatively the method of determining measurable indicators.** Applicants were only required to select them from a list that was part of the call and were not permitted set their own indicators that would be more appropriate to the project objectives. In many cases, inadequate, logically unrelated measurable indicators were identified.

The SAO SR draws attention to the insufficient funding of science and research in Slovakia as well as the insufficient use of assistance from European funds caused by delays in approval processes for some time. SAO SR considers the sustainability of scientific and technical projects to be extremely important. Through agreements on the provision of non-repayable funds, public universities and the Slovak Academy of Science (SAS) have committed themselves to the sustainability of the science parks and research centers built. It is already clear today they are having difficulty meeting this condition. Neither universities nor SAS have developed specific sustainability strategies, connected especially with issues of financial sustainability, so that they are as dependent as possible on the resources of the State Budget. **All audited entities actively respond to announced calls from the managing authorities by submitting applications, however, often canceled or suspended**. The lack of funding for science in the area of the Structural Funds does not allow the development of parks to such an extent as to increase the chances of gaining a foothold in the European scientific area.

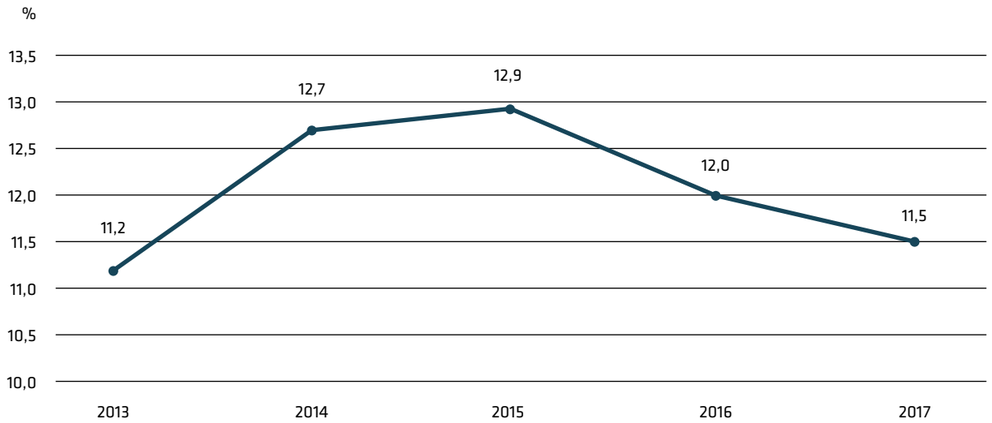
The neighbouring Czech Republic, the "National Sustainability Programs I and II" approved for this area in 2012; it also approved State Budget expenditures for research, experimental development and innovation for 2.5 bn Czech crowns per year (almost EUR 100 mil) until 2020. Thanks to these two national programs, the newly established scientific and research centers in the Czech Republic have preliminarily secured financial sustainability and **could serve as an example of good practice to support the sustainability of new scientific research centers.**

4.6 FULFILMENT OF INTERNATIONAL OBLIGATIONS REQUIRES SUPRA-INSTITUTIONAL APPROACH

The European Community, together with the Member States, has made commitments to help reduce greenhouse gases, increase the share of renewable energy sources in total energy consumption, but also increase energy efficiency. The basic national goals of Slovakia are based on the climate and energy policy of the European Union with the fulfillment deadline by 2020. The SAO SR assessed the action of the responsible ministries in individual areas in the audit **014/2018.**

Table č. 5: State support in selected areas (in EUR)

Areas of support	2015	2016	2017	2018	Spolu
Photovoltaic cells	366 504	3 208 628	4 894 520	3 198 811	11 668 463
Biofuel	2 500 000	4 574 680	9 220 000	81 620 000	97 914 680
Electromobiles	0	362 000	1 710 000	2 366 200	4 438 200
Total	2 866 504	8 145 308	15 824 520	87 185 011	114 021 343



Source: ME SR

Graph 16: Share of the energy form renewable energy sources in total energy consumption in 2013 až 2017 in %

The results of the audit point to the risks of fulfilling this international commitment, the insufficient effectiveness of existing measures and the absence of significant incentives for the use of renewable energy sources. The existing instruments for the support of climate-energy policy in the transport and photovoltaic sector have not yet helped to the required / significant extent to meet the State obligations to reduce emissions and increase the share of renewable sources.

The State inputs in 2015 to 2018 into selected areas of climate-energy policy - implemented through financial incentives, especially in the form of subsidies, tax relief, fee reductions, including co-financing of support schemes from EU funds - calculated by the SAO SR at more than EUR 114 mil. An overview of the support by year is in the table below. (Table č. 5)

The European Energy Action Plan contains a Slovak commitment to increase the share of renewable energy sources in gross final consumption by 20 %. While in 2005 this share in Slovakia was at 6.7 %, in 2020 it should already be 14 %. The development of the share of energy from renewable sources is in the graph.

In the last two years, there has been a decrease in the share of renewable energy sources in total energy consumption, which indicates the risk of non-compliance with the Slovak obligation.

The national project "Green Household" can be evaluated positively when 3 675 photovoltaic panels in family and apartment houses were supported. State and EU resources for EUR 45 mil supported the project.

One of the tools to support the reduction of greenhouse gases is to support the market for **alternative fuels. Slovakia lags most significantly in the use of hydrogen as an alternative fuel.** In recent years, no publicly accessible hydrogen station has been built and

no State aid has been provided. According to the SAO SR, **the system of support for alternative fuels does not motivate** potential actors; An important indicator is that the State has not provided any targeted support for the sale of vehicles powered by CNG (compressed natural gas), LNG (liquefied natural gas) or LPG (liquefied petroleum gas). Tax breaks, the introduction of a reduced rate of excise duty on motor vehicles and a reduction in the registration fee for registering a vehicle were an incentive that only slightly supported the purchase of alternative propulsion vehicles, nor did it translate into increased consumption of alternative fuels. In 2015, the 50% motor vehicle tax rate was applied in 2 463 cases, in 2018 it increased to 5 638, but **the share of alternative propulsion vehicles in the total number of cars remains negligible, i. e. 0.75%.**

The SAO SR **positively evaluates the provision of State subsidies for local and regional self-government,** which are tied to the purchase and use of electric cars. Government support instruments resulted in an increase in the number of electric vehicles - as only 188 electric cars were registered in 2015, in 2017 it was 2 178 vehicles.

In Slovak conditions, climate and energy policy falls within the competence of several ministries. The Ministry of Economy is responsible for energy and energy efficiency, guarantees the translation of European legislation into national legislation, and primarily cooperates with the Ministry of the Environment or the Ministry of Transport in the preparation of key strategies / concepts. In this context, **the Supreme Audit Office of the Slovak Republic draws the Government attention to the existing reserves in the active coordination** of the ministries concerned by one, primarily responsible ministry. The SAO SR also points out that **no targeted audit and no thematic Government audit has been carried out in the last four years** to meet the objectives and measures taken in the field of climate change and energy.

However, with the development of support for renewable energy sources (RES) and alternative sources, increased demands on State Budget revenues and expenditures can be expected. Achieving climate and energy policy goals, while maintaining the long-term sustainability of public finances, will require a systemic, coordinated approach of the competent State authorities to the process of adopting and implementing state measures to support the use of RES.

The lack of coordination and the need for close supra-ministerial cooperation in fulfilling international obligations were also pointed out in the results of KA 034/2019 **Transboundary Movement of Waste in the Accordance of the Basel Convention**. It was an international audit, in which the national audit institutions of Poland and Ukraine were also involved.

The Ministry of Environment, the Slovak Environmental Inspectorate and the customs offices of the Financial Directorate of the Slovak Republic have their roles in the system of transboundary movement of waste in Slovakia. The Ministry is the body responsible for implementing the regulations of the Basel Convention.

The Basel Convention is the biggest global environmental agreement on hazardous and other wastes. Its provisions bind 187 states of the world, including Slovakia, which acceded to it in 1993. The Convention regulates the movement of hazardous and other waste across state borders. At the same time, the parties undertake to ensure that such waste is treated in an environmentally sound manner. **The aim of the Convention is to protect human health and the environment from the adverse effects of waste.**

The audit by the SAO SR found that Slovakia has many shortcomings in fulfilling the provisions of the Basel Convention. The most important findings are these:

- **The Slovak authorities did not ensure sufficient supervision of the movement of waste** destined from and to Ukraine. We emphasize that Member States were able to designate border crossings for waste shipments under the regulation. If designated by their country, the shipment of waste was not allowed through another passage. During the audited period, Slovakia designated three border crossings for waste transport: Čierna nad Tisou - Čop, Vyšné Nemecké - Užhorod, Ubľa - Malyj Bereznyj. Insufficient cooperation, coordination of activities and lack of information exchange between the authorities caused the import of waste through the border crossing **Maťovské Vojkovce - Pavlovo. Slovakia does not mention it, nor did it notify the European Commission as a border crossing point for waste shipments.** However, this passage represented a strategic point for the import of raw material - waste via a wide-gauge line for the Košice steel company. In the audited period, more than 125,000 tons of waste from the green list, which was intended for the metallurgical industry, were transported to the territory of the Slovak Republic in the audited period in a total of 300 cases. The said border crossing was a key crossing point in terms of the volume of transported waste and its use, and as such, was to be referred to as the designated border crossing.
- In some cases, the Ministry of Environment SR, which issues consent for the transit of waste through Slovakia, **did not have accurate, complete and reliable information** about the planned and realised shipment to Ukraine. The entities that carried out the shipments of waste **did not provide the Ministry with information** about all intended shipments, and the recipients of waste **did not inform the Ministry about all the shipments that resulted in the receipt and recovery of waste.**
- Several cases of transport that actually took place **did not correspond to the submitted data**.
- The setting up of control procedures **made it possible to transport waste without the obligatory accompanying documentation.** The journey was not "declared" as a shipment of waste and the consignment was assessed as a commodity. These wastes were not classified as hazardous.
- Due to the non-identification of the shipment as a shipment of waste, **the relevant control procedures were not applied. Mandatory accompanying documentation was not submitted** to the customs office in Slovakia, which was the last "inspection" before leaving the European Union. The customs authorities **did not even request it as the consignment was not identified as waste**. Thus, **the obligation** under the Regulation to send a certified copy of the waste movement document to the country of dispatch stating that it has left the European Union **has not been fulfilled.**
- The system for controlling the movement of waste at borders **did not ensure the effective implementation of processes** that would result in comprehensive and reliable information. In this context, the audit group found **insufficient technical equipment at the borders.**
- **Insufficient cooperation, distorted coordination of activities and lack of exchange of information** between responsible authorities.

Based on the audit results, the risk that a large amount of waste will continue to pass through Slovakia that will not be inspected is considerable. **In order to eliminate it, it is necessary to intensify cooperation, exchange of information and methodological support from all three state bodies so that the system really works in accordance with the provisions of the Basel Convention.**

5 MUNICIPALITIES IN SAO SR AUDIT SPOTLIGHT

The amendment to the Act on the SAO SR in 2006 extended the powers of audit to the area of self-government. There are 2 921 towns and municipalities in the territory of the Slovak Republic, their budgets as well as the budgets of the local authorities are part of the budget of the Slovak Republic public administration. They are separate legal entities that manage their own assets and finance their needs primarily from their own revenues, but also from State subsidies, grants, or transfers for no offsets. Budgetary organizations, contributory organizations that perform tasks determined by the municipality or the local government are connected to the budgets of municipalities, cities and local authorities. In addition, they finance public transport, provided by the transport companies they own in some cases. Approximately 20 % of revenues and 18 % of public administration expenditures pass through local government budgets.

The management of financial resources of local government budgets and the management of its assets is often audit subject by the SAO SR. Since regional self-government is to a decisive extent the place for implementation of many important public policies and fulfills a number of socially important tasks through delegated competencies, self-governing entities are relatively frequently in the SAO SR audits or analytical activities; this was also the case in 2019.

In the section on the results of the self-government audits, there is also information from the Bratislava Water Company a. s. audit. The reason for it is the fact that the shareholders of water companies are exclusively municipalities and cities.

5.1 BRATISLAVA MUNICIPALITY REFORM IS DESIRABLE

One of the serious problems of self-government is its fragmentation, which complicates the provision of public services for citizens in a given area and at approximately the same level. The possible consequences of excessive fragmentation of self-government are pointed out by the results of the SAO SR analytical activities concerned with the functioning of self-government in the territory Bratislava, the Slovak Republic capital. These are summarised in the analytical commentary entitled How to proceed with the reform of self-government in Bratislava? available in full in the appendix to this report.

Various comparisons of Bratislava with other European cities show that the current reform of self-government in the Slovak Republic did not put the capital even at the level of the average satisfaction of the population with the provided public services and Bratislava has not become an important metropolis in Europe. The biggest shortcomings are in the area of affordable housing and the availability of pre-primary education. **In order to improve the satisfaction of the population with public services in Bratislava, as well as to increase its foreign prestige, it is necessary to introduce changes that require the continuation of its self-government reform.**

Bratislava is a special territorial administrative unit, because it fulfills the function of the capital - it is the political, cultural, commercial and social center of the Slovak Republic. **It is the largest city in the Slovak Republic with territory divided into 17 city districts.** They are largely different in size and population. The double structure of self-government (council - mayor) is reproduced in each district. **Each has its own budget independent from the budget of Bratislava-City and it is managed autonomously.** According to the conclusions of the Council of Europe, stemming from the congress of local and regional authorities, this situation brings increased fragmentation and inequality. **Almost every district has its own internal building authority, which prevents the possibility of programming a coherent and integrated development policy for Bratislava.**

The current legislation does not give Bratislava a real "special status", as other major European metropolis (such as Prague, London or Paris) have in terms of powers and funding. Sources of funding are the same as in other cities in the Slovak Republic, as well as its competencies, with a slight increase in Bratislava-City (fire fighting, road maintenance, etc.). The City of Bratislava does not have any specific benefits from being the capital of the Slovak Republic, it does not collect any special tax. The Mayor and the Council of the City of Bratislava also have the same status and powers as any other municipality in the Slovak Republic. **The City does not have sufficient competencies or a special funding system to cope with its tasks and the challenges of the capital.** It cannot adequately perform the services it has to provide in areas such as waste collection and disposal, roads and transport. **In the key topic of territorial and sustainable development of Bratislava, a competence conflict arises between Bratislava and its districts, especially in administrative territorial and construction proceedings.**

The Act on the Capital of the Slovak Republic and the Statute of Bratislava do not contain the rights and obligations of a person or resident living in the city. The rights and obligations of the municipality inhabitants are defined in the Act on Municipal Establishment. The system of Bratislava administrative and competence division and its districts is complex. It is difficult for the inhabitants to find their way around it and find out what competencies the City has and what the district has. Each district, but also the City, sets its own rules. This may put the citizen at a disadvantage or, on the contrary, an advantageous position within the provision of services of Bratislava and its city districts, or within the framework of his obligations towards this unit. **A Bratislava resident is also considered a resident of the City and a relevant District. In some cases, this person cannot directly influence what is happening in another district, even if he/she is directly affected by it; especially when complex competencies and excessive fragmentation of self-government are reflected in differences in income and expenditure, as well as in the different efficiency of urban areas.**

Therefore, in the discussion on the next steps of the Bratislava self-government reform, **SAO SR recommended thoroughly analyse the scope and division of competencies that they have, resp. the district and the city of Bratislava should have.** Agreements between districts in favor of better public services could also help. As part of a possible reform, which must also affect the redistribution of resources within Bratislava as a whole, there is a need to unify conditions for all the Bratislava inhabitants. Self-government reform is key in terms of improving the efficiency of service provision to the population and unifying living conditions for all citizens.

The SAO SR also addressed to the enverionment improvement works in the capital city of Bratislava through **the analytical study "Green Cities**." The study

was prepared in connection to the international project INTOSAI - study "Greening Cities"; its aim was to find how the planning, monitoring and evaluation of environmental policies in Bratislava and Košice take place, based on measurable indicators.

The study provided the following findings:

The capital City of Bratislava and the City of Košice have prepared strategic materials for the development of transport, in which **the objectives of reducing emissions due to new transport solutions are quantified, and they list specific transport projects that are to contribute to the improvement of the environment.**

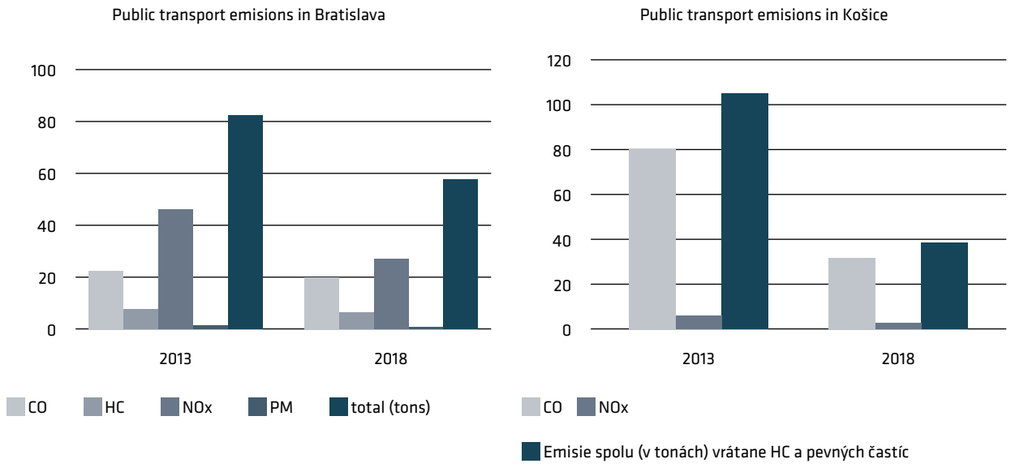
The produced amounts of emissions from transport in Bratislava and Košice are unknown to the Cities´ management authorities, as their determination is within the competence of the SHMÚ (Slovak Hydrometeorological Institute). However, the SHMÚ ascertains and publishes the production of emissions only in aggregate for the territories of the local government and the whole of the Slovak Republic, but not for the territories of cities. In the given area, however, the cities have established promising cooperation with SHMÚ.

On request (for the SAO SR), the Cities of Bratislava and Košice (their transport companies) have shown in calculations a reduction in emissions produced from urban transport as a result of replacing old buses with new buses with more modern diesel engines, or replacing bus lines with trolleybuses, trams, gas-powered buses and electric buses.

According to calculations, the emissions in the City of Bratislava were reduced from 85 tons in 2013 to 60 tons in 2018. In Košice, there was a decrease from 111 tonnes to 42 tonnes during the same period. (Graph 17)

Although both Cities declare in their strategic documents the reduction of the number of trips by individual transport at the expense of increasing public transport routes, or by bicycle and on foot, they still cannot prove whether the measured increased frequency of public transport or bicycle transport demonstrated itself in decreased car traffic. This area is relatively complicated, because, especially in the case of Bratislava, there is a high dynamic factor of increased number of people in the capital and environs due to the high attractiveness of the site in terms of labor market.

For creating and care for greenery, both Cities have strategic materials defining very specific measures. In their materials, both Cities have developed the need to plant and maintain urban greenery resistant to the urban environment and advancing climate change. Projects for the use of greenery to cool the City and retain the water have been implemented and are ongoing in Bratislava; these also include care for greenery in a more sustainable way, with a view to protect biodiversity, such as selective mowing, sowing selected areas with meadow flowers at the expense of native lawns. Both Cities



Graph 17: Emissions from public transport decrease in Bratislava and Košice

are working on studies to determine in more detail the species composition in the urban environment, as well as the total areas of greenery. Both cities already have to some extent the passportization of trees on land owned and managed, respectively owned and managed by the individual City districts in both.

5.2 INSUFFICIENT WORK WITH RECIVABLES CAN HAVE SERIOUS CONSEQUENCES FOR THE CAPITAL CITY OF BRATISLAVA

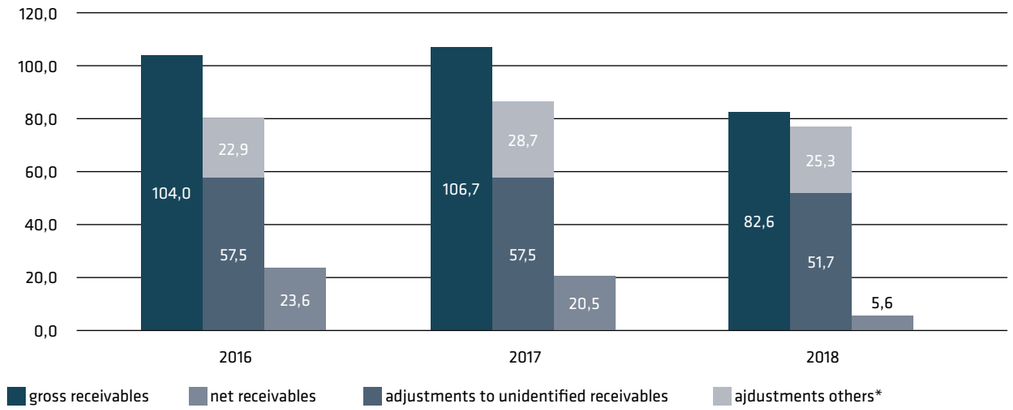
The audit of Bratislava financial statements **KA 001/2019 2016 - 2018** showed that even large self-governing entity might have serious shortcomings in compiling these significant financial statements even it is assumed that accounting is provided professionally and internal and external control system will ensure reliable, probative and complete information about the facts that were the subject of accounting.

The audit of the SAO SR found that the Capital City of Bratislava, as **an accounting unit, prepared financial statements on the same date with different reporting of assets.** In 2016, this difference amounted to EUR 11.5 mil caused by the additional posting of provisions for receivables after closing the general ledgers and publication of financial statements in the financial statements register. **Inadmissible accounting operations were also performed**, which distorted the economic result and the structure of equity in the financial statements. Deficiencies were also found in the formally performed inventory, especially receivables, in the creation of provisions for litigation, or in non-recording of written-off receivables in off-balance sheet records.

One of the most serious shortcomings was reporting of the so-called **unidentifiable receivables in the amount exceeding EUR 50 mil accounting for more than half of the City's total receivables.** There was no documentation of these receivables and adjustments in full were made. The development of provisions for receivables and especially for unidentifiable receivables is in the chart.

As a negligence in the administration of property, violation of the Act on Municipal Property, the Statute of the Capital, as well as internal regulations, the SAO SR assessed several cases of **lapse of non-tax receivables and their subsequent write-off without atempt to reclaim them**. The Capital City did not use all legal means to exercise its rights in a timely manner. For example, in 2018, a receivable was written-off in sum of more than EUR 1 mil, for which the Capital City did not have the relevant documentation. Only additionally did the City submit a contract from 2001 for the transfer of the municipal company Obchodné spoločenské centrum, a. s. shares. The Capital City did not claim the receivable for the entire period of its existence and wrote it off from the accounts without the approval of the City Council.

The Capital City also acted in violation of the Municipal Property Act when writing off receivables, as **proposals for writing-off receivables were not submitted to**



Graph 18: Development of adjustments for recievables in 2016 until 2018 (in EUR mil)
**adjusting entries*

the Municipal Council for approval. The sum of written-off receivables in the audited period was EUR 4.5 mil. Depreciation of receivables was made by the Capital City as a permanent decrease in the value of assets without precisely defined conditions, setting of processes, approval competencies and issuance of accounting documents that would be in accordance with the Accounting Act. Another two receivables in sum of EUR 8.4 mil were deducted from the capital assets by an accounting entry that was in conflict with the accounting procedures, without the approval process and relevant documents. The City Council did not have information on the Capital's assets, as the Mayor did not submit annual information about remitted and written-off receivables.

The SAO SR also assessed **the process of recovery of tax receivables as inefficient and ineffective,** mainly due to the non-use of all legal methods for recovery. Recovery was carried out only in the form of repeated calls for payment. This extended the reclaim period, but ultimately did not affect their enforceability and the amount of real income. The SAO SR positively assessed the pilot operation of electronic tax executions for the recovery of tax arrears, which it will make possible to block debtors' accounts and execute arrears in real time. This step is expected to streamline the collection of tax arrears and reduce costs siginificantly.

Weaknesses in the accounting and management of the City property were a manifestation of the internal control system failure. It was the setting the internal management and control processes, establishment of clear competence rules and the quality of internal regulations that SAO SR identified as having considerable reserves.

The audit results showed that the Capital did not fulfill one of the basic legal obligations, which is the obligation to increase, protect and enhance its property. The SAO SR also pointed out that the financial resources needed to fulfill the tasks of the capital must also be sought in its own reserves. Proper setting of the control mechanisms functionalities, internal regulations, consistent fulfillment of duties by competent employees, streamlining the receivables management system and the related timely exercise of their rights - all this can significantly help the fulfillment of duties.

The SAO SR, through the Association of Towns and Municipalities of Slovakia, recommended the introduction of the obligation to submit financial statements for discussion to municipal, councils, so that deputies have detailed information on the state of municipality property. The audit results in the Capital were also handed over to law enforcement authorities.

5.3 THE RISKS OF CHANGE IN WATER COMPANIES' OWNERSHIP STRUCTURE CANNOT BER EXCLUDED - EXAMPLE OF BVS JSC

Water resources, their protection, distribution and treatment of water are of natural strategic importance for the life and health of the population, as well as for the security of the State. **From this point of view, activities related to the production and supply of water are defined as activities in the public interest.**

The strategic importance of water for the security of the state is also emphasised by the Water Act, according to which its deficit can endanger the life and health of the population or endanger the fulfillment of the basic functions of the State. The public interest is emphasised by the Act on Public Water Supply and Sewerage. According to this law, these are established and operated in the public interest - their purpose is the mass supply of drinking water to the population and the mass disposal of wastewater, while their owners, due to the public interest, can only be an irreprochable legal entity based in Slovakia.

The transformation of State water companies, which took place in our country at the beginning of this century, was based on the requirement that water joint stock companies be established, which will ensure this public interest and whose **sole shareholders will be only municipalities in the territory.** This was mainly due to the fact that municipalities are closest to the lives of citizens and their needs. The model of transformation was also based on experience abroad (e. g. in France), when after periods of private water companies' operations, the trend of taking control of water services by municipalities began to show. Many private water companies, which were also very active abroad, had to hand over water supplies back to municipalities and cities. The main reasons for the reprivatisation were the fact that private companies did not take sufficient account of the public interest associated with water supply.

The transformation of state-owned water and sewerage companies into joint-stock companies, the sole shareholders of which are municipalities, was to prevent such a problem. **Relatively soon after the establishment of these companies, activities began to manifest themselves, the result of which was an effort to limit the influence of cities and municipalities on the situation in this sector.** There are attempts to turn water into a commercial product, to infiltrate the public water sector or to restrict access to information on the functioning of this public service. **This is despite the clearly formulated strategic importance of water in the Constitution, as well as the public interest defined by law in providing water for the population.**

To verify the presence and extent of these risks on the example of the SAO SR audit **016/2019** in the activities of the Bratislava Water Company jsc (BVS), and Turčianská vodárenská spoločnosť jsc (TVS). **In particular, the results of the BVS jsc audit showed that problems arising from the existing legal form of these companies in fulfilling the public interest exist and could, in certain circumstances, seriously jeopardise the fulfillment of the public interest ensuring the drinking and safe water is available at a reasonable price to all citizens.**

BVS is a trading company with ownership participation of towns and municipalities in the Bratislava region and partly in the Trnava and Trenčín regions. Its scope is defined as an activity in the public interest of strategic importance to the State. The majority shareholder is the Capital of the Slovak Republic, Bratislava, with a 59.29 percent share, the city of Skalica has an 8.65 percent share, BVS has an 8.43 percent share and the rest of the shares are held by other municipalities and cities. BVS has a stake in two subsidiaries - Infra Services, a. s., 51 %, and BIONERGY, a. s., 100 %.

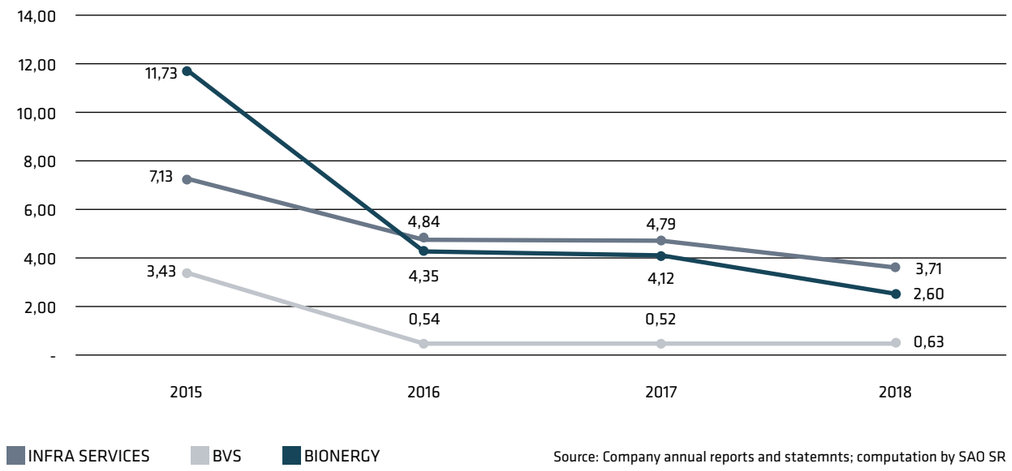
A subsidiary of Infra Services, a. s., performs water and sewerage network service for BVS, construction of new, but also other additional services and activities, on the basis of a framework contract for the provision of services, concluded in December 2008. The contract, originally concluded for four years, was after the entry of a new shareholder extended until 31 December 2022, with the possibility of extension. The contract also has the character of exclusivity. Under the threat of sanctions, BVS is obliged to order the services in question only from Infra Services, a. s. However, it can also supply them subcontracted with a fixed 10 % surcharge, regardless of the degree of added value. Infra Services, a. s., up to about 98 % of its activities, measured by the share of revenues, is performed for BVS. **An analysis of the terms of the framework contract for the provision of services and their performance shows that these are manifestly disadvantageous for BVS**, including its / their non-cancellability and sanctions agreed only for non-compliance by BVS. BVS faces a fine of EUR 5 mil. and compensation for lost profits.

In addition to the originally agreed services, other so - called "new" services additional services were added to the portfolio of activities for BVS, e.g. invoicing and distribution of documents, comprehensive management of objects, updating information in GIS and others. Many of them, especially in 2018, were perfomed without the conclusion of an amendment to the framework service contract. **The SAO SR points out that the gradual transfer of activities to the subsidiary Infra Services, a. s., as well as the loss of management influence over this company by concluding an Agreement on a joint procedure concerning Infra Services, a. s., indicates the risk of privatisation of the operation of public water supply and public sewerage (VV and VK).** Procurement of works and activities directly by a subsidiary without a tender, insufficient registration and control of invoiced amounts, restriction of public control by not disclosing invoices and orders, are factors enabling artificially overestimation of prices and transfer of profit from the parent company to Infra Services, a. s.

The disadvantage of relocating activities to subsidiaries is clearly reflected in many economic indicators. For example, the cost-effectiveness indicator, which is an indicator of the efficiency of the organisation activities, is significantly lower in BVS than in subsidiaries, which is documented in the published chart. While Infra Services, a. s., in 2018 for EUR 100 of costs incurred reached EUR 3.71 profit, BIONERGY, a. s., had a profit of EUR 2.60, BVS achieved only EUR 0.63 euros. This indicator shows that more profitable activities are performed by subsidiaries and less profitable ones remain in BVS.

Graph 19: Cost efficiency of companies in the BVS group
Source: Company annual reports and statemnts; computation by SAO SR

Performing repairs and maintenance of public water supply and public sewerage is part of the tied trade "operation of VV and VK". Infra Services, a. s., by performing repairs and maintenance without a trade license, **in the SAO SR opinion, violated the provisions of the Trade Licensing Act and also the Act on VV and VK.** Despite several audits carried out at BVS, none of the State administration bodies drew attention to this



Source: Company annual reports and statemnts; computation by SAO SR

Graph 19: Cost efficiency of companies in the BVS group

serious lack of non-compliance with the essential legal standards governing the activities of BVS.

A serious problem pointed out by the audit is **BVS's infrastructure assets satus quo**. For citizens and companies, the highest priority is the functionality of water supply and sewerage infrastructure, which has an impact on the constant availability of drinking water supplies or wastewater drainage. Much of this infrastructure is beyond the service life or (also) the capacity limit. **At the time of the SAO SR audit, more than EUR 574 million was needed to eliminate the investment debt in the BVS alone, of which more than EUR 271 million was needed for the renewal of the current infrastructure and more than EUR 303 million will be needed for investment development in expanding new territorial zones.** According to the SAO SR, the long-term sustainability of proper and safe operation of water supply infrastructure is not possible without an effective solution to the above-mentioned deficits.

The SAO SR audit pointed to the insufficient protection of the public interest, when in connection with the shareholder structure, it drew attention to the risks at which this protection could be broken and the transferability of shares outside the public sector could be achieved. This would be in conflict with the adopted Government concept of water companies' transformation, the principles on which the water companies were founded, when the sole shareholders were municipalities. **The sale of shares in water companies to private entities is not restricted by law.** The transferability of shares is limited only by the company's articles of association, according to which the transfer of shares is possible only to the municipality or city, which are shareholders of the company. The General Assembly of the company may decide to amend the articles of association by a two-thirds majority of the votes of the shareholders present with the consent of the Supervisory Board. The SAO SR sees this risk in the case of BVS in the merger of the two largest shareholders, who could, by a two-thirds majority, achieve a change in the articles of association as well as a change in the transferability of shares outside the public sector. **Several attempts by a private investor to join BVS have not been successful so far, but this may not be the case in the future.** The auditors also drew attention to another risk of privatisation, where the BVS articles of association do not address the restriction of the use of shares by the owners as a subject of lien for loans from a private company. **Thus, by exercising the lien, in the event of default, the shares would become the property of a private company.**

There is also the possibility of an **indirect form of privatisation in the form of taking over control of public water and sewerage infrastructure opertions by a private company.** This is done in various ways, most often through a lease, in which a private company is the infrastructure manager, collecting charges from water consumers (water) and waste water producers (sewage). The owner of the water infrastructure is still a water company, which finances investments in infrastructure from rental income. This model is applied in Slovakia in the Central Slovak Water Company, a. s., and Podtatranská vodárenská spoločnosť, a. s., and until 2014 it was also applied in Trenčianske waterworks and sewers, a. s. **However, even such an indirect entry of a private investor is in conflict with the concept of water supply transformation in the Slovak Republic.**

From the findings above in BVS audit, it is clear **that the current form of joint stock companies, which ensures the public interest in the supply of water to residents and companies, causes considerable problems in practice**, especially in economic, efficient and transparent administration and management of these companies as well as their control. That results mainly from insufficient, resp. ambiguous legislation in the field of commercial law as well as legal norms related to water management. **In the Slovak Republic, there is no direct legal regulation of the management of commercial companies performing activities in the public interest - and this does not only apply to water companies. There is also insufficient control over these companies management and the management of property by the State, cities and municipalities.**

Even the audited BVS was not one of the companies that are open and transparent in publishing documents and making information available. Mandatory published contracts on the website were in a confusing form and structure until 2016, while orders and invoices were not published at all. The audit also revealed deficiencies in the BVS control system, e.g. by not accepting proposals for the performance of internal audits by the Board of Directors, which may have contributed to the improvement of management activities. The control powers of the Supervisory Board, as the supreme control body of BVS, were also not functional. Apart from one inspection in 2017, it did not perform inspection activities and thus did not even submit the results of its inspection activities to the General Meeting. The inspection by the majority shareholder - the capital of the Slovak Republic, Bratislava, was not carried out in BVS either.

The SAO SR states that the absence of control and supervision over delegated public services is a consequence not only of unfavorably concluded contracts, but also of insufficient legislation in the area of defining State control mechanisms over the operation and management of these companies. This is also reflected in the divergent interpretation of generally binding legal regulations, in particular the Public Procurement Act or the Act on Free Access to Information. The current legislation assigns to several State administration bodies and organisations tasks related to the control of various aspects of the activities by water companies. **However, none of them can provide an overall picture of the public interest fullfilemnt by water companies.**

According to the SAO SR, in order to protect the basic human needs, which clearly include the supply of drinking water to the population, as part of state security, **it is necessary to adjust the legal status of companies performing activities in the public interest, including relevant legislation.** The SAO SR therefore recommended to the Government of the SR and the relevant ministries:

- in a legislative amendment to the Act on Public Water Supply and Public Sewerage, to stipulate that only the subject of public administration is the owner of public water supply and public sewerage,
- by legislative regulation, in the Commercial Code or special regulation, to establish special legal regulation and regime for commercial companies performing activities in the public interest as to ensure an efficient and transparent model of management and administration of such companies,
- in the Act on Public Water Supply and Sewerage, clearly determine who is obliged to perform maintenance of water supply infrastructure, with regard to different interpretations in the valid legal regulation,
- in the Public Procurement Act, clearly define which entities are the contracting authorities and which are the public contracting authorities, as well as the goods, services and works associated with them,
- stipulate the obligation for the Ministry Environment SR to submit annually to the National Council of the Slovak Republic and the Government SR a report on the state of water management in the Slovak Republic, which will also include information on water companies' activities, management and investment needs; Ministry would also be obliged to publish such report on its web site;
- ensure accurate registration of water infrastructure assets in the Slovak Republic; enshrine this obligation in the Act on Public Water Supply and Sewerage.

5.4 THE TOWNS SUPPORT MOSTLY THE SPORTS THROUGH SUBISIDIES

Municipalities and towns also use their financial resources in the form of subsidies to support services in general interest and public benefit, to support business and employment. There is no entitlement to the subsidy, the town provides it according to the conditions of a generally binding regulation from its own resources to legal entities or natural persons - entrepreneurs who have their registered office or operate in the municipality. Territorial self-government entities may also provide subsidies to legal entities in their founding jurisdiction for similar purposes, without setting conditions in a generally binding regulation. All subsidies provided are subject to annual settlement with the city budget, and their provision cannot increase the town total debt.

The SAO SR dealt with the issue of the system of support for various services and purposes in audit **008/2019** - *System of Support for Public Administration Entities in the Area of Public Benefit and Public Benefit Services and Purposes in the Region*. It performed the audit in 45 district cities throughout Slovakia for 2016 to 2018; within it, the processes of providing subsidies, their drawing in purpose and supported areas, and the related state and development of the city's debt and liabilities, including the internal control system, were examined. Attention was paid to compliance with the budgetary rules of local self-government in setting up the system of providing subsidies, eligibility and correctness of their provision, as well as compliance with contractual conditions.

In the audited period, subsidies were provided from the budget of relevant cities to legal entities and natural persons in the sum of almost EUR 34.6 mil. The priority area of support was the sports, to which EUR 26.2 mil, e. g. more than three quarters of all subsidies. Other areas of support were culture (EUR 4.9 mil), social services (EUR 1.1 mil), education (EUR 630 000) and other areas (EUR 1.8 mil.). In addition to the above subsidies, the cities also supported the sports with subsidies to legal entities of which they were the founders. It was mainly about supporting city sports clubs. In the audited period, this form of sports support was provided by one third of the audited entities in the sum of over EUR 16 mil. **Support for sports in 45 district cities in the two monitored years reached almost EUR 42.3 mil.**

Despite the fact that sports were the most supported of all areas in the audited period, **the concept of sport development was not developed or updated in accordance with the Sports Act by more than 70 % of the audited places.**

One of the important findings of the audit was that up to two thirds of the cities did not evaluate the impact (contribution) of the provided subsidies on the development of the city and on improving the quality of life of its citizens. Cities monitored only quantitative parameters, such as the number of applicants or applications, approved projects, supported entities or events. Although it is not a legal obligation of self-government to evaluate the effectiveness of budgetary resources spent in this way, **the SAO SR recommended that cities make such evaluations in order to improve the subsidy system and target them in those areas that demonstrably increase the quality of public services at their level.**

An important finding was that many cities acted in violation of the Act on Budgetary Rules for Territorial Self-Government, but also with other generally binding legal regulations when providing subsidies and accounting for them. The generally binding regulations on the provision of subsidies were not complied with either. The SAO SR warns that insufficient control in the process of providing subsidies from the city budget and their settlement may lead to uneconomical, inefficient or inefficient spending of funds. At the same time, it emphasises that the reporting of incorrect data in the financial and financial statements negatively affects the reliability and correctness of the evaluation of public administration entities by the Ministry of Finance SR, resp. other users.

The audit identified a total of 390 findings concerning various aspects of the subsidies provision. The added value of these findings is that they can serve as a tool for cities to better set goals and processes in providing subsidies without claim and represent a significant amount of funding. **Cities have been reminded that the allocation of subsidies cannot be random or arbitrary, but must comply with the conditions set out in the generally binding regulations for subsidies provision. At the same time, subsidies should, as far as possible, be linked to the set strategic goals of the city's development and to individual areas of support according to the city's programme budget.**

A total of 262 measures were taken by individual cities to eliminate the deficiencies identified during the audit. SAO SR submitted 116 recommendations to the audited entities, focused mainly on: the amendment of the local by-laws (LBL); the elaboration of the concept of sport; increasing transparency in the provision of subsidies, and improvement of the financial management and internal control system. Due to a serious non-compliance of the provision of subsidies with the law, in three cases the audit results were transferred to the relevant regional prosecutor's office. In co-operation with law enforcement authorities, in one case the results of the inspection were reported to the relevant district directorate of the police force.

5.5 ALSO THE CITIZENS WORRY ABOUT MUNICIPALITIES BAD ECONOMIC MANAGEMENT

Every year, the SAO SR registers a number of submissions from citizens for an audit. In 2019, there were about 750 submissions. **Citizens most often turn to the SAO SR with requests to check the management or disposal of property in cities and municipalities. Last year, there were more than 300 such requests.** It is clear that such a large number of requests and suggestions cannot result in the SAO SR audit and often do not even fall within the competence of the Office. If the analysis of the relevant submissions shows that the audit would be, the Office would perform such an audit. Last year, based on submissions from citizens, two audits were performed concerning the management of the municipalities of Lúka, Frička and Hrabské, and the municipal water company Šáchor **(KA 029/2019, KA 030/2019)**.

The suggestions from the citizens that were subject to an audit proved to be justified. The audits revealed shortcomings in several areas in budgeting, accounting, public procurement, disclosure and violations of other generally binding legal regulations in the municipality of Lúka, which were referred to bodies active in criminal proceedings. The Municipality concluded contracts without financial control, i. e. without checking the coverage of the costs incurred by the budget, proceeded uneconomically and violated several legal norms. It did not sufficiently protect its interests and did not use all legal means to protect its property.

At the same time, the audit revealed a systemic problem in the process of taking over the function of mayor, which is not sufficiently regulated in Slovakia. **Based on this audit, the SAO SR recommends that the Government SR resolve the procedure for handing over and taking over the function of mayor after the elections by amending the Act on Municipal Establishment.**

In the area of municipality public funds management, several financial discipline violations aginst the Act on Budgetary Rules of Public Administration were found. The SAO SR auditors confirmed duplicate expenditures, a EUR 10,000 subsidy in violation of LBL on subsidies and the relevant law, as well as the conclusion of a lease for land that was not owned by the municipality, thus enabling the municipality to unjustifiably enrich itself and the tenant.

Similar problems were identified in the other two municipalities. The audit findings in these two small municipalities point not only to a large number of more or less formal shortcomings, **but also to serious violations of laws in accounting and asset management, in particular breaches of financial discipline in a large part of the budget.**

Shortcomings were also found in compliance with the basic principles of self-government, ranging from incorrect budgeting, incorrect allocation of subsidies and contributions, non-collection of taxes and fees for municipal waste, to serious breaches of financial discipline, such as transferring municipal funds to a private account amounting to almost EUR 25 000, using the primary school normative funds in sum of EUR 20 000 EUR for the needs of the municipality, paying invoices for unfinished work in primary school for EUR 25 000, as well as for remuneration to selected deputies in the sum of more than EUR 15 000. All this appeared not only as insufficient knowledge of the legislation, but also as the municipal management managerial failure not creating and ensuring consistent functioning of the internal control system.

Based on previous experience from similar audits, the SAO SR reiterates that small municipalities often have difficulty ensuring compliance with legislation concerning their administration and comprehensive rules in the field of budgeting and accounting. Although many municipalities provide some services through joint offices, several serious shortcomings in their administration persist. Even the chief comptrollers, who are an internal control tool, did not sufficiently fulfill their role.

The SAO SR submitted to bodies active in criminal proceedings serious audit findings regarding the suspicion of fulfilling the features of criminal offenses, in particular breaches of obligations in the administration of foreign property and fraud. Based on the submission by SAO SR, criminal proceedings are currently underway.

5.6 REGIONAL MUNICIPALITIES PERFORM IMPORTANT STATE FUNCTIONS IN EDUCATION AND HEALTH

The division of competencies between the State and self-government, as it is in its current form, was approved by Parliament in 2001. The transfer of the decisive part of competences from State to self-government lasted gradually until 2004 creating two-tier management of the country – State administration and higher territorial units (HTU).

Through decentralization, local governments also acquired a number of competencies State transferred to them. This was followed by fiscal decentralization, i. e. the transfer of part of the money from the State to the regions so that they could finance the transferred competencies. **Many competencies have passed to the HTUs. The transferred competencies in secondary education and healthcare are particularly important, as they are extremely important for the society development and play irreplaceable functions in the life of the individuals.** Specifically, this means that HTUs in health care have almost no original competencies meaning they ensure the entire public health policy at their level. In education, the transferred competence is the secondary education. The original competence is the establishment and liquidation of elementary art schools, language schools, school dormitories and canteens, medical facilities, care for secondary school buildings, and of course, hospitals and polyclinics established by HTU.

In the recent years, the SAO SR has been intensively involved in the exercise of the original competencies by self-government, but also in the implementation of State policy in education and health care. **Audit 027/2019 Higher territorial units - creators and implementors of selected public policies** focused on how the local authorities fulfill the transferred competencies in education and health care. The audit also included how the Ministries of Education and Culture participate in the creation of regional school and health policies, which should reflect the State public policies in the self-governing regions, and how they execute these competencies. The audited period was 2014 - 2018.

The audit pointed to a number of problems arising from the applicable legislation, methods of setting regional public policy objectives in the given areas and their implementation, but **especially to insufficient cooperation between ministries and local authorities in applying delegated State competencies to self-government and monitoring their implementation.**

The SAO SR points out that, despite several amendments to the Competence Act, this legal norm is obsolete for the delegated performance of State administration to self-government. In education, healthcare and human pharmacy, special laws were adopted, which redefined roles and responsibilities differently from those specified in the Competence Act. **This creates legal chaos, as different laws give rise to different rights and obligations in the same matter for local authorities.**

In order for local authorities to consistently fulfill the transferred competencies, it is necessary not only that they have set development strategies for secondary education or health care in accordance with State policy, but also they inter-relate to other regional development strategies. At the time of the audit end, there was no approved vision how the Slovak healthcare system should look like in the medium term. Although the Ministry of Health of the Slovak Republic prepared the Strategic Framework for Health Care for 2014 - 2030, which was also approved by the Government, the aim of this document was primarily to enable EU funds drawing. The Ministry of Health budget did not contain any programme for the audited period concerning the delegated performance of State administration, which means that no resources came from this Ministry for regional health policy. The audit thus confirmed the risks the SAO SR repeatedly points out in its opinions on the State Budget, namely that the delegated performance of the State public health policy in HTU is not financed by the Ministry at all.

In developing the strategy of regional education, HTUs could rely on the National Programme for the Development of Education prepared by the Ministry. This national programme included a vision for Slovak education until 2027, strategic goals and measures in secondary education. The Ministry had in its budget the sub-programmes Development of Regional Education and Guidance and Transformation of Regional Education; it is important that they are used in accordance with the objectives of regional development for secondary education.

However, the audit showed that the goals of regional strategies for education and health care are usually incorrectly formulated, there are no measurable developement indicators, there is a lack of thorough control for their implementation, which is a "disease" in strategy creation of almost the entire public administration. Incorrect compilation of strategic-planning, HTUS programme documents, resp. missing or inappropriate measurable indicators have an impact on the assessment of effectiveness to monitor the fulfillment of selected public policy objectives. For example, the number of schools, the number of pupils or the number of issued methodological guidelines cannot measure the educational system quality. Similarly, the desired quality of healthcare cannot be measured by the number of hospitalized patients, the number of permits for ambulances issued or the number of applications for biomedical research. Some HTUs did not change the planned target values of measurable indicators for the entire audited period and did not take any other measures, despite the fact that they did not meet their targets for a long time or, to the contrary, exceeded them for a long time.

In this context, the SAO SR considers important that ministries fulfill their methodological functions in this area as well. However, according to the audit results, there was a lack of guidelines from ministries how to process strategic documents, what should be their content, which objectives and their indicators are important for the systems development and which are important for nationwide health and education management. In this case, too, each of the HTU approached the given task in its own way, each used different indicators, while especially the qualitative indicators in the documents were almost absent. All HTUs want to improve the quality of education and health care, but it is not mentioned in any document what indicators they want to measure quality and its development.

The HTUs strategic planning documents often do not address the question what are the necessary financial, human and material resources necessary for the realization of the set goals, which makes them almost worthless for real management. The legitimate question therefore arises as to how the Ministry of Education or Health can obtain consistent information on how and whether health or school policy is being implemented in a given area sufficiently, resp. what are its performance problems and how the local authorities want to solve them.

The audit important finding is the lack of will and support for strategic management and implementation of adopted strategies in practice. Even if **measures and solutions are professionally prepared** at the level of the local government relevant department (for example rationalization of schools in a given region) or at the level of the ministry (like hospitals stratification), **there is a lack of political will to approve them at regional or national level and implement them.**

A special problem for HTUs as creators and implementers of school and health policy is their source funding. The Ministry of Health does not reimburse the costs for the transferred performance of State in the area of healthcare performed by self-governing regions. The HTUs use their own resources to implement the delegated performance of State in the healthcare sector. Those not owning hospitals provide on average 2 % of their budget for health policies. Trenčín and Žilina HTUs, which manage hospitals, on the other hand, feel a significant lack of resources and their own resources are not sufficient for these hospitals' development. Healthcare facilities, together with the outpatient sector, are dependent on revenues from public health insurance, which are negotiated with health insurance companies every year making the medium-term development planning difficult. Self-governing regions also cannot realistically solve the problems of the doctors and other health care workers shortage, or the network of health care facilities. Health insurance companies have the function for network creation.

Expenditures for school policy in 2014 - 2018 had the largest share (on average about 42 %) in the HTUs total expenditures. The HTUs school policy was predominantly (92 %) financed from the State Budget, mainly through norms for secondary schools. Despite the pupils decrease in secondary schools by 11 % between the school years 2014/2015 and 2018/2019, the amount of normative funds from the Ministry of Education for HTUs increased by almost 9 % (EUR 33.3 million) during the audited period, mainly to cover the increasing wage norms. Although it has increased, the value of the secondary school funding standard covered basic operations and not their development.

By evaluating the audit results, the SAO SR came to formulate several measures, which are part of the final report. **In general, close communication and cooperation between individual departments within local authorities, especially regional development, education and health care, but also between local authorities, Ministries of Education, and Health, is necessary to improve the creation and subsequent implementation of selected public policies. All these departments need to be strengthened by professionals, especially in the field of health care, who would be able to assess and manage the transferred competencies performance.**

The audit showed that the HTUs wait for several guidelines - methodological assistance from the State. On the other hand, ministries expect more applied

independence from the local authorities in their activities. In education and health care, however, HTUs more or less implement only the delegated performance from the State – i. e. not their own, original competencies. Therefore, greater State involvement is needed to monitor and evaluate this process. The Ministries of Education and Health and the HTUs should see each other as partners in a common cause. Due to the weak interconnection of strategic planning, programme documents in HTUs school and health policies, due to insufficient cooperation of the State with HTUs and lack of control over the implementation of selected public policies, there is a risk of ambiguous management of school and health policy and thus inefficient use of public funds.

The Constitution of the Slovak Republic clearly states that the provision of affordable and quality care in health care and equal access to education is one of the fundamental rights of Slovak citizens, regardless of the region they live in. By transferring the performance of the State administration part to the regional territorial self-government, the State did not relieve itself of responsibility for fulfilling these rights. The school and health policy implemented by the HTUs must be implemented in such a way that these rights are adequately secured and the State must have information whether this is happening or not. Therefore, it is important that the exercise of delegated State competencies to self-government is guided by the State, controlled and regularly evaluated, and the competent State institutions cooperate systematically with self-government.

As the quality of education and the threat to the educational process is influenced by the status of teachers in the context of international comparison, global megatrends and the application of the knowledge society principles, the Office has already pointed out in an **analysis focused on remuneration of primary school teachers**. The area is also closely related to the findings in education at the HTU level.

The degree of merit in the remuneration of pedagogical employees in primary schools has been stagnant for a long time, resp. decreases slightly. In 2018, almost half of the schools paid on average a lower sum for bonuses and personal allowance than in the previous year, while 4.9 % of schools did not pay any bonus to their teaching staff and 13 % of schools did not pay any personal allowances. The professional studies results point to the existence of a positive effect in teachers' remuneration, based on their performance, while assessing the results achieved by students. More targeted remuneration also has a positive effect on pupils' results through lower teacher turnover, recruitment and the retention of better individuals in the system.

The SAO SR analysts also looked into regional differences in teaching staff renumeration. **The wages of pedagogical staff in the Bratislava Region lag the most behind the average wages in the region (61 % of the wages of persons with a university degree in 2018).** The result is low attractiveness of the teaching profession and the teacher shortages. In addition, by 2024, it will be necessary to fill 1 240 additional jobs in the whole region by pedagogical and professional staff and primary school teachers.

5.7 THE KOŠICE HIGHER TERRITORIAL UNIT DID NOT AVOID SHORTCOMINGS IN IMPORTANT PROJECT

Considerable attention is paid to energy savings in Slovakia, as any EU member state. Over the course of this year, EU countries are set to reduce greenhouse gas emissions by a fifth, increase the share of renewable energy sources in total consumption by a fifth and also increase energy efficiency by a fifth. One of the measures to help states is the Guaranteed Energy Service (GES) - the provision of guaranteed energy services. It represents a model of cooperation between the customer and the supplier providing energy services with a guaranteed result. The GES method is suitable for the implementation of austerity measures in energy management and securing funds. No investment is required by customer. These are repaid gradually from the achieved savings in operating energy costs during the term of the contract. The service provider guarantees achieving savings. The model is particularly suitable for projects for the reconstruction and modernization of existing buildings and technologies in the public and private sectors. In order to set well the reconstruction parameters and plan the future economic effects of the project, it is necessary to know the history of the use of energy equipment and the initial level of energy consumption. A typical GES project has a payback period of six to ten years. However, from 2019, the public sector contract must last for at least eight years.

The GES project in the Košice Higher Teritorial Unit (KHTU) is currently the largest in public administration in Slovakia. Its goal was to streamline energy management in individual entities involved in the project. There are 66 schools and school facilities, and the volume of its resources and the number of entities were the main reasons for choosing this project for audit. The contract was concluded for a period of 18 years by KHTU in 2013 and the contracting party is Veolia. The audited GES project and the related contractual relations were audited according to the rules in force in 2008 and not according to the new legislation of similar projects.

The audited period covered the period 2013 to 2018 as well as the periods related to the signing contract and the annual fee billing for energy services. The value of the contract reached EUR 96 mil. The audit **(011/2019) Heat management of schools and school facilities within the scope of the KHTU Košice** brought 164 audit findings, 27 concerned deficiencies in the activities of KHTU in relation to the project. The remaining findings were identified at seven schools and one school facility audited the SAO SR.

The audit findings cover all audited areas. They concerned the energy policy of the regional self-government, the unfavorable setting of the energy service contract parameters, and the inconsistent fulfillment of contractual conditions and obligations. There have also been non-compliance or violations of several laws, namely:

- **Non-compliance with the Energy Efficiency** Act (several reasons) - alignment of individual contracts with the new legislation after the statutory deadline, and the contracts did not contain all the mandatory requirements of energy efficiency contracts for the public sector. There was no methodology for calculating savings, financial and technical expression of energy savings, financial expression of reference consumption;
- **Violation of the Act on Budgetary Rules of Public Administration**, as public funds were spent inefficiently to pay the increased remuneration for energy services by a coefficient that was not contractually agreed; the law was also violated due to the non-conclusion of amendments to contracts to reduce the annual remuneration for energy services due to its own austerity measures financed from customers' budgets;
- **Violation of the Act on the Property of Higher Territorial Units**, which arose from the transfer of energy property to the administration of an entity other than a contributory or budgetary organization;
- **Violation of the Act on Financial Control and Audit** due to failure to perform a preliminary financial control before entering into the commitment, i. e. before concluding contracts and their amendments, as well as formal verification of financial operations related to the payment for energy services;
- **Violation of the Accounting Act** due to non-accounting of financial operations associated with the settlement of funds obtained from 50 percent over-energy savings in 2016 and 2018.

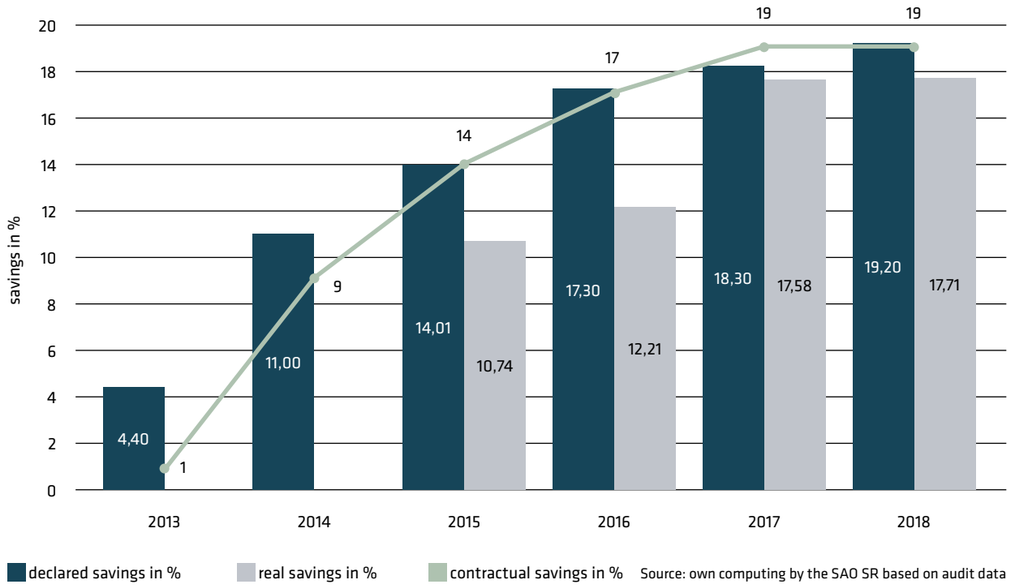
The SAO SR considers **the systemic shortcomings** of the audited project to be the missing methodology to calculate savings, the absence of documents for the valuation of investments made by service providers and the problematic controllability of outputs and performances from concluded contracts at the level of energy service recipients. This was mainly with regard to the legislation governing financial control and audit for the public sector.

The financial savings should cover investment repayments. However, the project in KHTU is the opposite. By applying the principle of solidarity, **the cost of repayments was not determined by how much Veolia invested in a particular school, but by a flat rate set administratively by the schools founder.**

The SAO SR pointed out that **the joint solidary set-up** of individual fixed costs in remuneration for energy services for customers **is in conflict with the Act on Budgetary Rules of Public Administration and its principles. Consequence** - inadmissible cross-subsidisation between schools. The application of the principle of solidarity in this case has led to a loss of motivation for schools to save energy.

The contractual partner focused the austerity measures within the heat management to the replacement of obsolete technology for a more efficient one. Thermostatic valves, boilers, pumps, pipe sections were changed, and the heating system was also regulated. The audit group considered this to be a **typical example "cherry picking ",** when energy efficiency measures focus on **investment activities with a quick return**. It is therefore not a comprehensive renovation of buildings, including facades or roofs, which are more investment-intensive and have a longer payback period. This fact has manifested itself since the beginning of the project as dissatisfaction with thermal comfort in schools and school facilities.

The audit showed that the achievement of guaranteed energy savings in percentage was realised **only thanks**



Graph 20: Comparing the savings assessment

to the application of the coefficient of use of the space involved. Without its recognition, schools would not have achieved savings since 2015, when the space utilisation coefficient began to be used. Applying the coefficient meant achieving the savings that Veolia guaranteed to the schools. The procedure thus gave the impression that the contract between the KHTU, the schools and Veolia was being fulfilled. However, neither the KHTU nor the schools agreed on coefficient with the service provider. These coefficients managed to **change the result of savings from unfulfilled to fulfilled.**

Energy savings were not determined in the contract in agreed manner, i. e. by comparing the actual energy consumption with the contractual consumption of the base year, converted to the climatic conditions of the respective savings year, by the day-degree method. The energy saving measures taken by Veolia were therefore not effective enough to ensure that the guaranteed savings were achieved.

The audited GES project and the related contractual relations were set according to the rules that were in force in 2008. Energy efficiency contracts concluded before the end of January 2019 are not covered by the new legislation.

The SAO SR does not consider the current implementation of the GES project to be an example of good practice, despite the fact that there was a complete outsourcing of services providing heat management in Košice regional education and the project relieved the management of schools and preschool facilities from heat management activities. The contractual parameters and relationships within the project **were set in a non-transparent, unclear, unbalanced way, without defining clear rules.**

The neglected control activity by KHTU, as the founder of schools and the owner of the property, which were the subject of energy evaluation, was also a big drawback. KHTU left schools **without adequate professional and legal assistance** at the mercy of the service provider in a complex system of contractual relations and mutually referring provisions and intra-connections between the framework and individual contract, confusing evaluations and a tangle of coefficients. **If the contracting authority avoided the above-mentioned shortcomings, GES projects could have brought significant benefits.**

The SAO SR submitted 62 recommendations to the audited entities, which may assist in taking measures to eliminate the identified deficiencies, to adjust the contractual conditions in terms of their clarity, balance, as well as thorough compliance with legislative and quality requirements for GES projects. The recommendations were also aimed at setting up and ensuring effective control mechanisms and adjusting internal regulations.

The SAO SR prepared several pieces of advice for entities of local self-government that would consider addressing energy efficiency using a similar GES project. In addition to the audit findings, it was based on several data - from the recommendations by the Association of Energy Service Providers, information that is on the website of the Ministry of Economy SR, to official government documents. Their content is as follows

- **In the documents for the selection of the supplier or partner not to specify technical solutions.**
- **To procure a guaranteed energy saving, not a technical solution (it is recommended to compete for a comprehensive design of solutions, in which the most important is the volume of achieved reduction of operating costs, especially energy consumption).**
- **Link the reward to achieved guaranteed savings.**
- **Precisely determine the reference energy consumption based of quality analyses.**
- **Consider several alternatives to the method of calculating energy savings and their verification before concluding the contract.**
- **Set control mechanisms to verify actual energy consumption, conditions for applying corrections.**
- **Define sanctions for non-fulfillment of contractual obligations by the provider and the conditions under which they are to be applied.**
- **Take organisational measures to involve internal staff in the performance of tasks under the GES contracts.**
- **Update user requirements - thermal comfort parameters throughout the project.**
- **Pay attention to the compliance of the agreed contractual conditions with the legislation (e. g. when transferring ownership, financing, price changes, warranty period of technological and construction parts, the possibility of the contract termination).**
- **Follow the recommended procedures for the preparation and implementation of guaranteed energy services in public administration (published on Ministry of Economy of the Slovak Republic website).**
- **Adhere to the model GES contract in order to meet the Eurostat conditions, so that liabilities from such a contract are not included in the public debt.**
- **Use technical assistance provided by the SIEA when planning the use of the GES to finance the energy recovery of assets.**

Also on the example of these advice and recommendations, the SAO SR documents the effort to fulfill its mission with new content. The aim is to provide, based on audit results, a specific type of advice which will contribute to a more efficient and economical use of public resources.

- In the summary evaluation of the audit results from self-governing entities, the SAO SR points out that many shortcomings that occur in the activities of self-government have causes beyond its reach. The shortcomings are mainly caused by:
- frequent legislative changes and ambiguity in the interpretation of many provisions of the law,
- unclear procedures and guidelines for implementing legislative changes or public policies,
- mutually contradictory guidelines of individual Chapters of the State Budget,
- transfer of the performance of state administration to territorial self-government without adequate analysis and evaluation of the impact of these decisions in the territory of self-government and its inhabitants,
- the degree of ability and possibility of territorial self-government to accept the required changes, especially in smaller municipalities.

5.8 AUDIT OF EU STRUCTURAL AND INVESTMENT FUND PROJECTS

The European Structural and Investment Funds (ESIF) are a key source of financing public investments for the Slovak Republic. The purpose of the existence of these funds is mainly to reduce regional disparities between individual regions in EU member states. Within the EU's annual budget, the revenue and expenditure must always be balanced, so that deficit management is not allowed.

Since its accession to the EU in 2004, the Slovak Republic has been *„net beneficiary"*, which means that we receive more funding from the EU each year than is our contributions to. However, it should be added that the

overall net position of our country could be higher, but we regularly encounter the necessary consideration of irregularities related to management, inefficient implementation, ESIF control, which are all demonstrate in higher costs. The SAO SR regularly draws attention to these problems.

The year 2019 was significant not only in terms of drawing the funds from the current programming period, but also the settlement by EC for the previous period 2007-2013, during which there was communication with the relevant directorates-general regarding final payments for individual operational programs. Within all 14 OPs in 2007-2013 programming period, the Slovak Republic used the funds in total of EUR 11.241 bn representing a drawdown of 96.77 %.

So far, two programmes have been closed in cooperation with the European Commission - OP INTERACT II (14 December 2017) and OP Fisheries (11 July 2019). The final payment was received within the OP Bratislava Region and OP Transport, but the *"closure letter"* was not delivered. (Graph 21)

Within the current (third) programming period, 611 calls (including the Rural Development Program) were announced in sum of EUR 16.94 bn which represents 110.68 % of the EUR 15.34 bn allocation. The share of ESIF contracts at 31 December 2019 represented 68.46 % of the allocation.

The drawdown of funds under all ESIF programmes to 31 December 2019 amounted to EUR 4.71 bn, which represents 30.71 % of the allocation for the programming period 2014-2020 (EU resources). The highest rate of drawing is reported by the Rural Development Program, OP Technical Assistance and INTERACT III. **In the period from 1 January 2019 to 31 December 2019, EUR 1.36 bn was drawn which represents an increase of 9.04 p. b. compared to the situation at the end of 2018, while the highest increase in drawing was recorded in OP Technical Assistance, INTERACT III, OP Human Resources.**

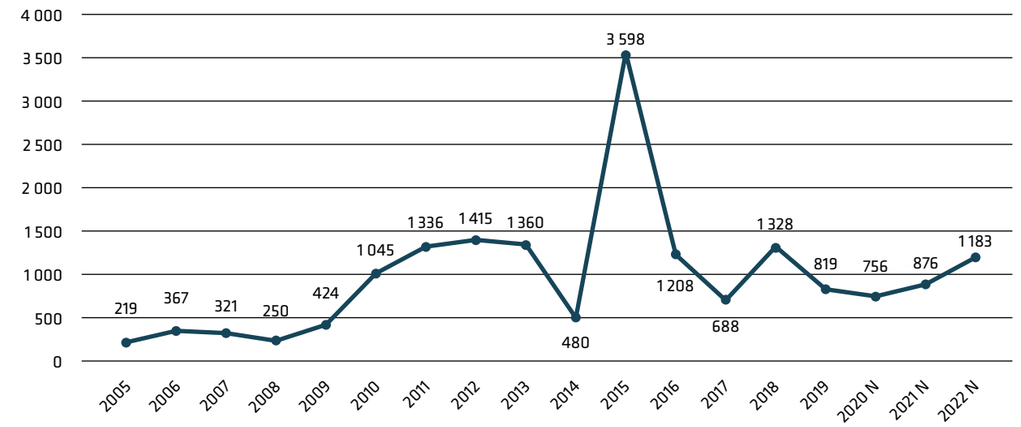
The SAO SR **systematically audits the processes associated with European Union funds drawing**. In previous audits, it focused on the key process of selecting projects financed by the European Structural and Investment Funds, namely the process of calls and the approval of applications for non-repayable financial contributions.

In 2019, the Office engaged in another important process **that has an impact on the efficiency of the funds spent. This process is the actual implementation of projects.** Audit 019**/2019 Verification of the process to monitor and audit the OP ESIF projects** examined how the managing and intermediate bodies monitor and audit projects in connection with the fulfillment of their objectives and measurable indicators. The SAO SR performed audit in sixteen entities - Ministry of Agriculture and Rural Development of the Slovak Republic (managing authority for the Integrated Regional Operational Program) and Ministry of Economy of the Slovak Republic (intermediate body for the Operational Program Research and Innovation).

The audit pointed to several shortcomings in the implementation of monitoring and control processes in the agricultural sector. On the other hand, in the economic sector, the audit identified **good practice** in the established system of projects monitoring and audit **the SAO SR recommends for use in other ministries as well**. It consists in the fact that the **Ministry of Economy has prepared a methodology for the operational program Research and Innovation to verify the conditions for the provision of the contribution in the phases of project implementation and sustainability. In the form of a legal document, the methodology increases the clarity and uniformity of processes both for the recipient of the financial contribution and for the intermediate body. At the same time, it is an important preventive step for reducing the error rate in the project individual phases.**

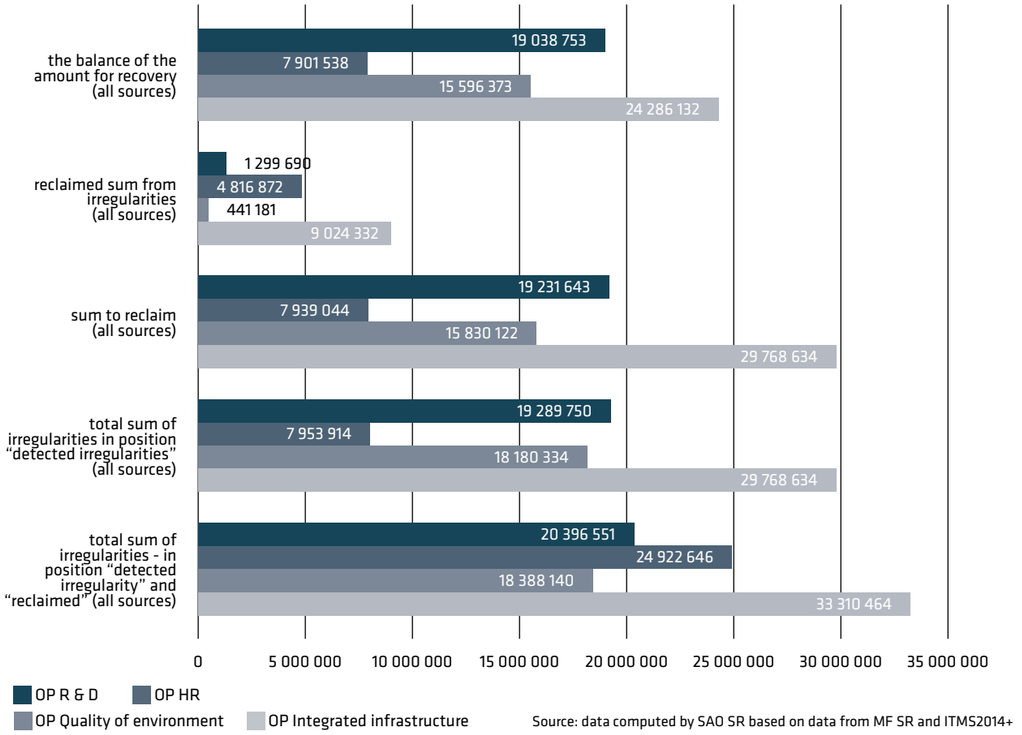
The SAO SR auditors have long been drawing attention to **the problems in determining the values of measurable indicators, especially in connection with the drawing the domestic and European resources.** The audit in 2017 can serve as an example, when the SAO SR audited the financing of schools and school facilities within the Regional Operational Program for the programming period 2007-2013. In this audit, the auditors drew attention to the ambiguous methodology for calculating measurable indicators in projects to reduce the energy performance of buildings, or to provide incorrect data on measurable indicators in project monitoring reports. They also drew attention to the serious consequences of such bad practice for drawing the European resources.

Despite the publication of findings and warnings about the need to focus on measurable indicators, the audit carried out in 2019 reaffirms the continuous presence of this problem. The audit findings draw attention both to the incorrect determination of the values of measurable indicators and to the failures of the managing or intermediate body in detecting errors in measurable indicators. **As the failure by the managing and**



Source: MF SR

Graph 21: SR net financial position since 2005



Source: data computed by SAO SR based on data from MF SR and ITMS2014+

Graph 22: Overview of irregularities in selected OPs in Programming period obdobie 2014 – 2020 as of 31.10. 2019

intermediate body for IROP can be considered the fact that it did not reveal incorrect values of measurable indicators not only in the process of approving projects, but also during their implementation.

In this context, too, the SAO SR once again appealed to the bodies responsible for the processes connected with the drawing the European resources to use the Office findings to adopt such measures that will enable more efficient and effective drawing of these funds in practice.

Enforcement of irregularities is another serious problem associated with the unauthorised drawing of European resources with a financial impact on the Slovak Republic. The SAO SR addressed this issue in the form of a preliminary study on irregularities recovery. Its purpose was to analyse the system for managing and recovering irregularities with a financial impact in order to ensure maximum success in their recovery as well as to determine the negative impacts on the State Budget of the Slovak Republic, to evaluate the effectiveness of the system of coverage and recovery of irregularities with the financial impact and to assess the setting of responsibilities and the resulting consequences.

By checking the data on irregularities for the programming period 2014 - 2020, it was found that the selected managing authorities as of 31.10.2019 have large volumes of unresolved irregularities. **OP Environment Quality with the amount of irregularities for more than EUR 18 mil has receivables of 15 mil. EUR, OP R&D in the amount of irregularities EUR 20 mil has a receivables of 19 mil. EUR. OP II of EUR 33 mil has corresponding receivables EUR 24 mil. The best is the OP Human Resources Development with the irregularities EUR 24.9 mil and the corresponding receivables EUR 7.9 mil.** These are mainly irregularities where the debtor is the managing or intermediary body. These irregularities will have a direct impact on the Chapters´ budgets, as they that have been or will be deducted from the EC in the annual accounts or payment claims to the EC. (Graph 22)

According to the data by the European Anti-Fraud Office **for the period 2014 to 2018, 1,644 fraudulent and non-fraudulent irregularities in the drawing of money from EU funds and agricultural subsidies were detected in Slovakia.** During the period, suspicions covered up to 19.29 % of all payments from EU cohesion and common agricultural policy budgets. This is the most in the Union. By comparison, Spain has the second highest rate of irregularities - 3.3 %.

The study identified that four selected managing authorities (MESRS SR, MLSAF SR, MEN SR, MTC SR) have high volumes of unsettled irregularities (almost EUR 67 million) in the 2014-2020 programming period. Based on experience with previous programming periods, this amount can be expected to increase by the end of the programming period. **The managing authorities do not create targeted reserves in their budgets to cover irregularities. The irregularities agenda is decentralized and is not addressed by a specialised unit, and too many human resources enter the registration process, which can generate errors in recording, resolving and recovering irregularities.** The managing authorities do not make sufficient use of the possibility to provide funding in the form of simplified reporting of expenditure as part of prevention. Within the study, it was not possible to determine the level of use of tools for the recovery of irregularities provided for in national legislation (set-off of receivables, agreement on installments / agreement on proof of performance, lien). Due to the seriousness of this issue, the SAO SR will continue to address it in the next period.

CONCLUSION

Pursuant to the Act on the SAO SR, the National Council of the Slovak Republic is the main body where the findings from the Office's audit activities to be directed to. The presented report is one ways how individual committees and the plenary of the Parliament can get acquainted with the view of the SAO SR on many aspects of the use of domestic and European public resources. The Office has pointed out many shortcomings and problems for a long time, others have resulted from international comparisons and assesment of compliance with international obligations. Knowing the problems is the essential information for improving state governance. However, it is much more important that changes be adopted to address the problems and make the process of using public funds more economical, efficient, effective and transparent. The National Council of the Slovak Republic has an irreplaceable role in this. Therefore, the submitter believes that the information from the presented Report on the Audit Activities of the SAO SR for 2019 will also contribute to meaningful changes that require new legislation or correction of the existing one, strict adherence to the adopted budgetary rules or assessment of various strategic materials.

ANNEX

Overview of audits incuded in the Report on Audit Activities by SAO SR for 2019

KA-014/2018
Support in selected areas of climate and energy policy with an emphasis on maintaining the long-term sustainability of public revenues

KA-021/2018
Scieintific parks and research centers

KA-001/2019
Financial statements of the Capital of the Slovak Republic, Bratislava

KA-002/2019
Management of public funds and management of State property in the Center for Labour, Social Affairs and Family

KA-005/2019
Salvage and restoration of national cultural monuments

KA-006/2019
Investments in the National Project "Electronisation of the Education System in Regional Education"

KA-008/2019
A system of support for public administration entities in the area of services of general interest and services of general public interest in the region

KA-009/2019
Management of public funds and disposal of State property in the Office of the President of the Slovak Republic

KA-010/2019
Fulfillment of measures taken to eliminate identified shortcomings from previous audits performed by the SAO SR

KA-011/2019
Heat management in schools and school facilities within the competence of Košice Higher Territorial Unit

KA-014/2019
Use of service apartments owned by the Slovak Republic

KA-015/2019
Public sector data protection and security system

KA-016/2019
Management of water companies

KA-017/2019
System of recovery of irregularities, financial corrections under the conditions of the European Structural and Investment Funds - preliminary study

KA-018/2019
Electronic State services and their use – cadaster

KA-019/2019
Verification of the process in monitoring and control of projects in OP ESIF

KA-021/2019
Audit of the Slovak Water Management Company, s. e. and the founding powers of the Ministry of the Environment of the Slovak Republic

KA-022/2019
Fulfillment of development concepts in selected State enterprises in the founding competence of the Ministry Agriculture and Rural Development of the Slovak Republic

KA-024/2019
Electronic toll collection

KA-025/2019
Providing services in the external environment in Railways of the Slovak Republic

KA-026/2019
Exercise of rights and obligations by MH Manažment, a. s.

KA-027/2019
Higher territorial units - creators and implementers of selected public policies

KA-028/2019
Development of memory and fund institutions and renewal of their national infrastructure

KA-029/2019
Audit of management of public funds and disposal of property in the municipality Lúka and company Šáchor

KA-030/2019
Management of public funds and disposal of property in selected entities of territorial self-government (municipality Frička, municipality Hrabské)

KA-031/2019
Opinion on the draft State final account of the Slovak Republic for 2018

KA-034/2019
Transboundary movements of wastes according to the Basel Convention provisions

KA-036/2019
Compliance with the obligations arising from the State enterprise Military Forests and Property from the Public Procurement Act procurement

KA-037/2019
Opinion on the draft Budget of the Public Administration and the State Budget for 2020

Analytical reports:
Remuneration of pedagogical staff in primary schools - ARE TEACHERS MOTIVED TO PROVIDE QUALITY PERFORMANCE?

Self-government of Bratislava - HOW FURTHER WITH THE REFORM OF SELF-GOVERNMENT IN BRATISLAVA?

Green cities - Sustainability of the urban environment in the Slovak Republic