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Auditing the European Funds Independently? Comparing the Situation in Hungary, Czech Republic and Slovakia

European subsidies through various operational programmes (OPs) represent a significant share in national budgets. All three compared countries are net recipients of European Union (EU) funds. EU subsidies can replace finances from the state budget, making large investments possible.

However, European Commission (EC) report from 2014 affirms that corruption in EU funds is widespread and Member States are not doing enough to prevent it. “In many Member States internal controls across the country (particularly at local level) are weak and uncoordinated. There is a need to reinforce such controls and match them with strong prevention policies in order to deliver tangible and sustainable results against corruption.”[1]

Problems with EU funded projects arose in Slovakia recently, too. They resulted in suspended financial support to OPs by EC which will significantly affect the state budget.[2] In Slovakia, the medialized reason that was stated in a report issued by European Commision[3] was that EC “does not trust to Slovak control mechanisms as a whole.” Therefore, EC implemented articles 70 and 92 of ES no. 1083/2006. As Slovak representatives did not comply with the EC recommendations, part of the payments were cancelled permanently. The problem arose when EC auditors replicated an audit of a same project sample after Slovak auditors and came to different conclusions regarding the efficiency of the projects. Therefore, one of the crucial controlling actor – Slovak Audit Authority, was criticized by EC.

Auditing represents an important part of the process of implementation of the European Funds – it should “verify correctness of the substance matter and financial management of the implementation process and at the same time it should provide feedback to the management bodies regarding the system they had established.”[4] Therefore, if not functioning properly, audit as a part of implementation of EU funds represents a corruption risk which was also highlighted by Transparency International in several works.[5]

Our aim in this paper is to explore whether national audit authorities in Hungary, Czech Republic and Slovakia comply with one of the EC requirements that is crucial for fighting and preventing corruption – functional independence of audit authority.[6] Does similar problem with auditors of EU – funds as in Slovakia exist in other two countries? The importance of this question is quite straightforward – if an audit authority was independent and professional, it could deter or impede EU funds fraud and mismanagement. We are aware that independent and professional audit authority is only one of the controlling mechanisms and would not be panacea to corruption connected with EU funds. However, if functioning properly, the corruptors would never be certain whether their fraudulent project would not be selected, audited and revealed.

Firstly, we will describe the official requirements imposed by EC to institutions of Member States that control and monitor EU funds regarding the Audit Authorities. Secondly, we will explore whether in each country EC stepped in and criticized/stopped the EU payments due to insufficient auditing of EU funded projects. Subsequently, we will examine whether these rules are obeyed in the countries by comparing the laws regarding functional independence of national audit authority with publicly available information regarding the position of auditors. We will conclude by comparing the institutional setting and actual position of auditors in the compared countries.

Audit Authority – its role and EC requirements

Audit is a process carried out by a body that is independent from the audited organisation.[7]

To ensure validity and reliability, auditors use transparent internationally approved methods and processes. In business environment, audit validates and evaluates variables such as balance sheet, annual report, statement of profit and loss, etc. It is useful for shareholders because they need an objective evaluation of their share worth that is independent from the management of the organisation. Auditors are usually paid by clients that are audited by them, however, they are obliged to follow public interest in conducting their work which is a standard for business as well as for governmental clients.

The EU institutions have only limited capacities to control spending of EU funds. “As a group, the 28 EU Commissioners have the ultimate political responsibility for ensuring that EU funds are spent properly. But because most of the funding is managed within the beneficiary countries, responsibility for conducting checks and annual audits lies with national governments.”[*]

In the EU law, guidelines have been set to specify what kinds of institutions must be established in order to manage the structural support resources. According to the Council Regulation (EC) No. 1083/2006 for the programming period 2007–2013 regarding the European Regional

Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund, every member country receiving EU funds must establish controlling and monitoring institutions for every operational program – managing authority, certifying authority, audit authority and monitoring committee.

Audit Authority is a national, regional or local public authority body, or a public entity designated for each operational programme. According to article article 59 c) of the Council Regulation (EC) No. 1083/2006, Audit Authority shall be "functionally independent from the Managing and Certifying Authorities and responsible for the verification of the efficiency of the governance and control system. The same audit authority may be designated for more than one OP and responsible for verifying the effective functioning of the management and control system." In other words, audit by a Member State is the last checkpoint at the national level – auditors select a sample of projects from operational programme(s), evaluate their efficiency and processes.[9]

Afterwards, they send an annual report to the EU Commission whether the funds are allocated efficiently and legally. These selected projects can be double checked by EC auditors. If they conclude that national auditors are unable to identify the problematic projects, EC stops the payments since they cannot rely on national control and they require reforms of the system. Unblocking the payments can be achieved by systemic changes in the management and control. If the Member State does not follow EC recommendations for reforming the system, EC can cancel the funds permanently.[10] Therefore, it is essential for the proper functionality that the audit is independent from political or other special interests.

Slovakia

Problems with the OPs Audit Authority

European funds became a synonym for political corruption in Slovakia.[11] EC auditors replicated the same audits of projects (181 projects) as Slovak auditors did. Slovak auditors approved all the examined projects as sound and efficient. Contrary to that, EC auditors found serious inefficiencies and mismanagement in most of them. Before April 2014, European Commision sent a note to Slovak Ministry of Finance that they found serious shortcomings in audits conducted by Slovak Audit Authority – The Section of Audit and Control of the Ministry of Finance. As a result, EC stopped payment from 9 OPs at the end of June 2014.[12]

At the beginning of October 2014, EC renewed payments in 4 OP, yet 5 payments remain stopped. At this point, EC will definitely not refund 245 million eur and 330 million eur in payments are still suspended.[13]

As a result, EC required action in Slovakia. The Minister of Finance suspended the Director General of the Section of Audit and Control and also dismissed other public servants. In addition to that, several criminal prosecutions started.

Institutional setting

Fourteen Slovak OPs[14] for the programming period 2006–2013 have been audited centrally from Audit and Control Section of the Ministry of Finance of the Slovak Republic since Slovakia became an EU funds recipient. The head of this section is a Director General (currently, the Director General is Iveta Turcanova who succeeded Martin Danko after he was dismissed due to problems with audited projects in May 2014). Managing Authorities for OP are various Slovak ministries, Agricultural Paying Agency, Self–Governing region Bratislava and also the Slovak Government. [15]

The appointment and dismissal of auditors of EU funds is stated in the Law of Financial Control and Internal Audit no. 502/2001. According to § 28, auditors that are responsible for auditing operational programmes at the Ministry of Finance are appointed and dismissed by the Minister of Finance. Formally, the auditors are obliged to follow only the Slovak Constitution, Slovak laws and norms while conducting their work.[16]

We can observe that independence of these auditors is required by this law and the EC regulation. However, the institutional setting creates environment where political influences on auditors from the governing parties are possible without any institutional barriers. Auditors are hired by the Ministry whose employees are subordinated to the Minister of Finance only, their work is evaluated by ministerial subordinates in their section, and they can be dismissed as easily as other public servants. In fact, ministerial methodology materials on EU funds control (Procedures for Audit of Structural Funds, Cohesion Fund and European Fund of Fisheries for programming Period 2007–2013) in regard of auditor's independence use the direct subordination to the Minister as an argument for independence, not against it.

The material also mentions that the Section of Audit and Control is independent because the Managing Authorities, Coordination Authorities and other Ministerial Sections are institutionally independent and segregated from the Audit Authority. Therefore, the regulations do not mention nor prevent the political interference by the governing party. In other words, they rely on the goodwill of the Minister of Finance not to interfere into the independence of auditors. The current environment does not offer any guarantees for "functional independence" of Audit Authority required by EC and makes violations of the independence of auditors by governing party viable without institutional obstacles (The obstacles are declaratory).

In September, another opportunity to make systemic changes in the audit systems appeared due to the beginning of new programming period 2014–2020 which requires enacting a new law on Contribution provided from European Structural and Investment Funds. Therefore, in September, Slovak parliament enacted the new rules for European Funds for the programming period 2014–2020.[17]

Apart from other proposals, s\a member of the opposition in the parliament, Miroslav Beblavy, proposed stricter institutional guarantees of auditor's independence. Regarding the selection of new auditors, he proposed selection by committee that would be composed of members of Slovak Audit Chamber, Ministry of Finance, and The Supreme Audit Office of the Slovak Republic and auditors would be selected in a transparent process with fixed rules. This committee would also evaluate the work of auditors according to transparent rules. He also proposed that the auditors should be protected against dismissal and the only criteria for that would be their level of successfully revealed cases of mismanagement and corruption. However, the proposal was refused in the first reading and no changes in institutional standing of the Audit Authority were made.[18] In fact, no proposals from the opposition were accepted and the institutional setting for 2014–2020 period remains the same regarding the position of auditors. Ministry of Finance should be the audit authority for the new programming period. The changes were rather concentrated on switching the Managing Authorities. In the upcoming programming period, the Office of the Government will be in the position of the Managing Authority.[19]

Hungary

When examining the national system for EU funds in Hungary (e.g. the managing authority, certifying authority, audit authority and monitoring committee), it can be seen that the main reasons for EC critique are fundamentally different from that of Slovakia. Or, at least, the problems cannot be blamed straightforwardly on the Audit Authority.

The present national system for the distribution of EU funds (and thus, for controlling and monitoring) is relatively new. Or, in fact, it is only the system itself as a whole that is new, since some of the previously existing authorities – such as ministries – have taken over the roles and duties of the late National Development Agency. The year 2014 brought a whole new setup, a reform, of the institutions of EU funds in Hungary, and the new system did not come into force without any difficulties. The changes were fundamental – the termination of the work of the National Development Agency, the role and architecture of which is going to be further described in the present paper, caused major concerns in Brussels.

The architecture of the programming period 2007–2013. The National Development Agency

In the programming period 2007–2013, the central authority in charge of distributing EU funds was the National Development Agency. With its internal departments set up according to the 14 OPs, and with the Intermediary Bodies (IBs) responsible for payments, it surely fulfilled the 'management authority' and the 'audit authority' criteria mentioned earlier in the present paper.

Audits were organized by the IBs, with investigating of documentation and with on–the–spot checks and audits of projects and companies. As for the paying body and the certifying body, they are incorporated into the National Authorising Officer's Office, and as for the audit of the whole system, it is the responsibility of the Audit Authority, which is an independent, governmental bureau. The Audit Authority can audit the NDA, the managing authorities, the IBs and the paying and the certifying body, too.[20]
A number of institutions are responsible for the control and audit of the EU Funds. These functions are conferred on various levels of the institutional system. It was additionally the Hungarian State Treasury that increasingly had the right to examine the system responsible for the funds. It is not the only authority monitoring and auditing the system, though. The Government Control Office's task is to control the payments from the European Social Funds, the European Regional Development Funds, and the Cohesion Funds (This task was later conferred to the Directorate General for Audit of European Funds, run by government officials).

The above mentioned study by Vincze points out, though, that because of the complex controlling, monitoring, and auditing system, there is a need for a controlling authority that would be able to synthesize all the previous experience of all the controlling bodies.

This was the state of the art between 2007 and 2013, and it can be concluded that apart from certain problems mainly connected to procurement procedures found out by the EC's auditors, there were not so many serious mismanagement cases that would be criticized. Problematic cases are discussed later in the present paper.

The NDA and the institutional setup seen by TI

The above mentioned institutional setup was described by Transparency International[21] as follows: "The Hungarian institutional system for the implementation of the EU Funds had been well designed and contains all the necessary checks and balances for appropriate operations."
The study even details how the NDA could instruct Ministers and how its power grew: "The National Development Agency was set up in 2006 by merging the National Development Office and the implementing agencies. This restructuring introduced the dominance of expertise of the technical management over the professional influence of the relevant Ministries."

The study was published in 2013, and even then there were already hints for the approaching institutional centralisation that later turned out to be a huge problem for the EC. The first major step, which made visible the changes yet to come, was the establishment of the Governmental Committee on National Development. This institution had the right to modify and approve all OPs and priority projects, too. The Committee is headed by the Prime Minister, two Ministers, and a Secretary of State. The main problem with this is that the decision making process of the Committee is not transparent and not public.

The study of TI points out that once the topic of EU funds is brought up, the usual thought associated to the given topic are corruption and the tendering system. TI mentions manipulated decisions, corrupt decision makers, etc. Also, they point out that the lack of public access up–to–date makes it difficult to examine the question in depth, which also adds up the transparency problems. The report points out several times that the complex auditing and controlling system ensured that "all administrative and financial aspects of the implementation procedure are in accordance with the regulations both at the level of fund management institutions and that of the beneficiaries." However, it is the lack of monitoring which causes discrepancies and mismanagement. Projects are properly administered, but they are of poor quality and overpriced. The value–for–money kind of investigation is missing from the controlling phase. It was back then that TI warned that the centralization of the decision making can lead to less transparency and more opportunity for politics to intervene and influence.

Based on the above description, it can be concluded that for the systemic problems present in the architecture of EU fund distribution, centralisation does not seem to be the adequate answer.

The Audit Body

The above mentioned centralization resulted in the termination of the NDA, and the re-organisation of auditing roles.

The State Audit Office of Hungary (SAO) is the supreme financial and economic audit organisation of the National Assembly. The present senior management (the president and the vice-president) of SAO was appointed by the National Assembly as of 5 July 2010. On 1st of July the New Act on SAO entered into force. The SAO's legal status determines its independence – it is subject to the National Assembly, and also, a two–thirds parliamentary majority is required for the election of the president and the vice–president of the SAO. Although, it should be born in mind that Fidesz party in Hungary has a two thirds majority (and got re–elected for a second term in 2014), and the management of the SAO is elected for an unusual 12 years in office.

The SAO audits the utilization of public funds and properties, and as such, it also audits EU funds in certain cases. Since its powers also entails to "Suspend the utilization of funds for investment funded from the central budget in order to prevent damage", it often deals with EU funds, too. EU funds that are flowing through the state budget – since the SAO is the external auditor of public finances, it has the power the conduct audits in any fields using public money.

Although, there is another body entitled especially for the audit of EU funds: the Directorate General for Audit of European Funds. It was established on 1st July 2010 (it was formed from parts of the Government Control Office), and it is an autonomously operating central budgetary organisation within the chapter of the Ministry for National Economy. The organisation is headed by a Director General, and the employees of the Directorate General are government officials. The head is appointed by the Minister for National Economy. The DGAEF's task is to carry out audits regarding international funds, and thus, EU funds. The Directorate General performs audit tasks in connection with the following programmes:

- funds from the European Regional Development Fund, the European Social Fund and the Cohesion Fund in the programming period 2007 to 2013;
- General Programme "Solidarity and Management of Migration Flows";
- PHARE and Transition Facility;
- INTERREG III Community Initiative Programmes;
- European Territorial Cooperation Programme;
- Norwegian Financial Mechanism and EEA Financial Mechanism;
- Swiss–Hungarian Cooperation Programme;
- European Union Solidarity Fund.

The above mentioned bodies did not report any kind of discrepancies that would be available through the media or public channels.[22]

Cases with fund suspension

Stemmed from the above described system, several problems coincided at once, and they all surfaced at the same time, in the spring of 2014. First, the media reported that the EC would not pay for the receipts handed in by Hungary for the research and development projects. The main reason behind this was that the EC found serious discrepancies and problems with the management and supervision system of EU funds in Hungary.

The process for payments for the projects works as follows: the Member States send receipts to the EC for the projects financed by the EU. After examining the receipts the EC either pays the bill, or, if it finds something problematic with them, asks the MS not to send additional receipts until the problem is discussed and solved. After this, the EC can either reimburse the payments, or the payment is stopped for a longer time in order to further investigate the discrepancies.

If the previously mentioned examinations and discussions do not lead to a solution and the funds are suspended, then, the Commissioners are to decide how to further handle the matter. All of the previously mentioned cases happened with Hungary in the spring of 2014.

The following OPs were affected: Operational Programme for Economic Development – the European Court of Auditors found some 'significant problems'. Under the random review of the projects the auditors found that on the one hand, the funds were not always spent as intended, an on the other hand, the consulting fees were far greater than reasonable. Sampling or random review is a standard procedure, meaning the auditors do not investigate each and every receipt and other supporting documents (eg. contracts, certificate of completion).

In another case, also in the very same OP, it was OLAF who spotted the discrepancies of tendering, this time in connection with tendering broadband Internet providers. There were no consequences in this issue.[23]

All OPs involved road pavement – more precisely, asphalt. The public procurement process related to road pavement tenders came under investigation and failed. The EC investigators found that Hungary applied a law during the tenders which restricted competition. As a result, Hungary is obliged to pay a fine.

Similar problems arise in 2013, too, and there were three affected OPs. The problem detected by the auditors of the EC, and payments were suspended. The reason behind this was the one that kept recurring reasons (or, at least, it seems to be recurring): restriction of competition during public procurements.

The procedure of public procurement seems to be the most problematic issue. This is parallel to TI's findings, too. So, one observation can be that corruption is present in the system from the very beginning, from the entry point: in public procurements.

Problems with all OPs

Although, all the above mentioned problems, ie. the partial suspension of one or several OPs seems to be a lighter problem compared to the one actually surfaced in the spring of 2014: then, all EU fiscal transfers were affected. In spring 2014, when the new system for the usage of EU funds came into force, the EC reacted more harshly than ever. In a letter sent out to the Hungarian Government on April 16, the Commission raised concerns about the transformation of the system, mainly about the effective operation of the management and control system. The EC asked detailed information. But meanwhile, the payments were not suspended, although, the EC itself was not sure, whether the system is sufficient enough.

"We need to be sure that the management and control system for the EU investments, verifications, etc. are working properly and that the administrative capacity to deal with the investments is sufficient" said Shirin Wheeler, spokeswoman for Johannes Hahn, the EU Commissioner for Regional Policy.[24] Later on, media reported the suspension of funds, although, all parties involved (eg. the government and the EC) tried not to use the word 'suspension'.[25]

This 'Big Change' in the system – as the media call it – affected the whole fund distribution system, including the management, the monitoring, the controlling, and the audit agencies.

The government, instead of using the previous institutional setup for the management of the EU funds, dissolved them, and took up nearly all of their roles and tasks. One of the main concerns of the EC was that the government's staff was not prepared and trained for those kind of tasks. The new system is now in place, but we have yet to see whether the EC would approve it. Also, later investigations can determine whether the new centralized institutions would be able to deal with the deeply–rooted problems present in the system.

Czech Republic

The European Commission in the Annual Activity Report of the DG Regional and Urban Policy criticized the Czech Republic for low reliability of auditing of the individual OPs.[26] They concluded that audit authority essentially does not function and an action plan, linked to payment interruptions, was carried out in 2011–2012 leading to two flat rate financial corrections accepted in 2012.

A control system for European subsidies was created by the Minister of Finance Miroslav Kalousek in the second half of 2007. Documents from this period show that the crucial requirement of the European Union to establish independent internal audit in ministries and other public offices were not applied.

The Czech government promised to establish an independent internal audit in 2004, when the Treaty of Accession to the Union was signed. Independence – in the European concept means that the minister cannot dismiss the Director of Internal Audit Department at the Ministry without the permission of the Audit Committee. (In the Audit Committee government officials meet representatives of professional organizations and the public.)

In the Czech Republic, the heads of the departments could at many time withdraw its auditors by law. The only one rule is to deliver notification about the withdraw to the Minister of Finance. (In the EU, the auditors should be protected by the committee. This help them to control how the departments spend money , including those received from Brussels). The "delaying" prescription was also ignored in practice.

In July 2007, Minister of Labor and Social Affairs Petr Nečas dismissed the head of its audit Marie Bílková and informed Miroslav Kalousek about this. The Minister of Finance decided after this issue to change the rules and created a bill stating that notification about employee dismissal will not be obliged anymore. The proposal was not accepted by the government, and the practice that the ministers can dispose uncomfortable auditors continues. For example, in October 2010, the Minister of Education Josef Dobeš fired the head of internal audit, Evžen Mrázek. This happened because Mrázek wrote a critical report in which he stated the huge problems caused by the personal changes in the program "Research and Development for Innovation," (According to Mrázek, the personal changes made a delay in the financial drawing).

Brussels officials use lack of internal control at the Ministry to explain why the money promised by the European Union is spent by the institutions on pointless projects like lifting a railway bridge in Kolín, which costs about 1.2 million euros. In July 2011, Commissioner for Regional Policy Johannes Hahn noticed the troubles with money drawing and audit in Czech Republic. He warned about it in a letter to the Czech Prime Minister, Petr Nečas. In the document, he pointed out that a major obstacle to smooth drawing is no independent examination and audit.

Because of this, the Czech officials in charge of the programs are afraid to pass the projects to the EU, because there is a fear of rejection for payment of some projects. The reimbursment of all three operational programs – Transport, Environment and Northwest – has been delayed.

All in all, the problem has been caused by the fact that auditing bodies were subordinated to each operational programme management authorities – ministries and mainly Regional self-governments. While the auditing bodies were formally independent from the direct influence of the political leadership of the institutions they were associated with, in fact they were under strong political influence. As a result of this criticism, the whole system was changed and authorised auditing bodies (PAS) were centralised under Ministry of Finance.

Conclusions

In Hungary, a new centralized system for management and control took place recently, where all concerned authorities are centralized for all OPs under the Prime Minister's Office, with other Ministries also involved. The Directorate General for Audit of European Funds is an autonomously operating central budgetary organisation within the chapter of the Ministry for National Economy, and its employees are government officials. EC has identified problems with the division of tasks in this organisation. However, in the old setup that was problematic (OPs stopped), audit has never been publicly mentioned as the primary problem. The Audit Authorities did not intercept some of the problematic projects present in 2007–2013. However, we found no evidence nor EC critique that this was due to its dependence of auditors on political or other will.

Contrary to the Hungarian case, payments from OPs in the Czech Republic and Slovakia were suspended explicitly due to misfunctional Audit Authorities. In Slovakia, the audit was (and still is) centralized under the Ministry of Finance and the EC explicitly stated that they do not trust the Slovak Auditors (they did not specify whether it was due to lack of competences or political influence). In the Czech Republic, the problems stemmed from excessive decentralisation of OP's management and control – the Audit Authorities were too many. As a solution to the problem, the Czech Republic centralized the audit and currently, the auditors of EU funds are appointed by the Ministry of Finance.

The older system in Czech Republic had one remarkable specialty: it contained a special institutional brake against influencing the auditors, so other actors were obliged to consult their personal changes of auditors with the Minister of Finance. In fact, they often did not follow the rule. On one hand, this setup could have possibly impeded chances of some ministers to influence audit. Nevertheless, the Audit Authorities were criticized by the EC for being dependent on political will.

Currently, all three compared countries have their Audit Authorities governed by the respective Ministry of Finance and they declare their independence. In Czech Republic, this centralization was seen as an advancement. In Hungary, it is perceived by EC as possible risk. It is questionable whether the centralization under the Ministry of Finance could secure the independence of Audit Authorities. According to the Slovak example, it is not a panacea. We think that centralization just reduces the risks of improper influences to one actor – to the political party that currently holds the Ministry of Finance. Although we did not find a causality between institutional set-up and independence, we believe that centralization might help (as in the case of CR). However, introduction of institutional checks and balances would be more helpful to the independence of Audit Authorities than centralization (for instance, appointment and dismissal of auditors by more than one institution). Therefore, we conclude with a statement that the "functional independence of the Audit Authority" required by EC is not secured.

Annotations

[1]European Commission, Report from the commission to the council and the European Parliament. EU anti–corruption report (2014), 11, http://ec.europa.eu/dgs/home–affairs/e–library/documents/policies/organized–crime–and–human–trafficking/corruption/docs/acr_2014_en.pdf (accessed 19 October 2014).

[2]Payments to projects will be financed from the budget instead of european subsidies.

[3]The report was not made public. Yet, many public officials have read it through unofficial channels and shared the results with the public. The government and the opposition consent on the contents of the report

[4]Transparency International, EU Funds Watch Report: Summary (2013), 18, http://www.transparency.cz/doc/EU_funds_watch_Summary.pdf (accessed 19 October 2014).

[5]e.g. Transparency International, EU Funds Watch project – Czech Republic (September 2014), 19, http://www.transparency.hu/uploads/docs/EU_funds_watch_Report_Czech_Republic.pdf (accessed 19 October 2014) or Transparency International, EU Funds Watch Report: Summary (2013), 4, http://www.transparency.cz/doc/EU_funds_watch_Summary.pdf (accessed 19 October 2014).

[6]Article 59, c), in "The Council Regulation (EC)," Official Journal of the European Union 1083 (2006), http://eur–lex.europa.eu/legal–content/EN/TXT/PDF/?uri=CELEX:32006R1083&from=EN (accessed 19 October 2014)

[7]PricewaterhouseCoopers, What is an audit? (2014), http://www.pwc.com.au/assurance/financial/statements/audit.htm (accessed 19 October 2014).

[8]European Union, EU Funding: Management of Funds (2014), http://europa.eu/about–eu/funding–grants/index_en.htm (accessed 19 October 2014).

[9]Article 62, in "The Council Regulation (EC)," Official Journal of the European Union 1083 (2006), http://eur–lex.europa.eu/legal–content/EN/TXT/PDF/?uri=CELEX:32006R1083&from=EN (accessed 19 October 2014); Although EC issued a new regulation for the programming period 2014 –2020, the definitions of audit functions remained the same as well as the standards for audit. OPs in our interest are regulated by the (EC) no. 1083/2006, since the new OPs have not started yet.

[10]Article 92, in "The Council Regulation (EC)," Official Journal of the European Union 1083 (2006), http://eur–lex.europa.eu/legal–content/EN/TXT/PDF/?uri=CELEX:32006R1083&from=EN (accessed 19 October 2014).

[11]A recent example of corruption connected with Slovak EU funds: municipal politician Ivan Kuhn revealed that 70 public procurements for European Funds were organized by the same agency in municipalities, where the mayor is from the governing party. The agency won every such procurement. Prosecution in the matter has already begun, see aktualne.sk, Kauzu víťazných tendrov Star EU už rieši aj polícia (August 2014), http://aktualne.atlas.sk/kauzu–vitaznych–tendrov–firmy–star–eu–uz–riesi–aj–policia/dnes/kauzy/ (accessed 19 October 2014)).

[12]OP Healthcare; OP Research and Development, Regional OP, OP Education;OP Transportation; OP Informatisation and Societ; OP Competitiveness and Economic Growth; OP Bratislava Region; OP Technical Assistance and partially also OP Employment and Social Inclusion; Slovak Information Press Agency, Európska Komisia zadržala Slovensku stovky mliónov eur (August 2014). Available at http://www.webnoviny.sk/ekonomika/clanok/856256–europska–komisia–zadrzala–slovensku–stovky–milionov–eur/ (accessed 19 October 2014).

[13] Euractiv, Komisia uvoľnila Slovensku časť zastavených eurofondov (September 2014), http://www.euractiv.sk/regionalny–rozvoj/clanok/komisia–uvolnila–slovensku–cast–zastavenych–eurofondov–022904 (accessed 19 October 2014)

[14]Slovakia has 11 OP in the programming period 2006–2013: Regional OP; OP Environment; OP Competitiveness and Economic Growth; OP Research and Development; OP Healthcare; OP Employment and Social Inclusion; OP Bratislava Region; OP Education; OP Informatisation and Society; OP Transportation; OP Technical Assistance. OP INTERACT II, OP Cezhraničná spolupráca SR–ČR 2007–2013 a OP Rybné hospodárstvo.

[15]The Slovak Republic Ministry of Finance, Organizácia ministerstva (14 October 2014). Available at http://www.finance.gov.sk/Default.aspx?CatID=8345 (accessed 19 October 2014).
[16]Zákony pre ľudí.sk, Law of Financial Control and Internal Audit no. 502/2001 (18 October 2011), http://www.zakony-

preludi.sk/zz/2001–502 (accessed 19 October 2014).

[17]The Slovak Republic.The National Council, Vládny návrh zákona o príspevku poskytovanom z európskych štrukturálnych a investičných fondov a o zmene a doplnení niektorých zákonov (6 June 2014). Available at https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&MasterID=5001 (accessed 19 October 2014).

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