

REPORT ON CONDUCTED FINANCIAL AUDIT OF STUDENT CENTERS

(December 2019.)

SUMMARY

The State Audit Office conducted a financial audit of twelve student centres, which included the financial statements and operations for 2017 (eleven student centres) and 2018 (one student centre).

The objectives of the audit were to verify the truthfulness and credibility of financial statements, application of laws and other provisions related to the organization and financial accounting and the regularity of revenue generation and expenditures, i.e. to verify whether financial resources were used exclusively to achieve objectives set out in business plan, work and development plans, financial plan and statute of the student centre and the regularity of other transactions.

The student centres covered by the audit generated total revenues for 2017 in the amount of HRK 488.241.247,00, expenditures in the amount of HRK 447.020.221,00 and a surplus of revenues in the amount of HRK 41.221.026,00 (eleven student centres reported a surplus of revenues over expenditures in the amount of HRK 41.733.921,00, and one deficit in the amount of HRK 512.895,00). The mentioned student centres realized total revenues for 2018 in the amount of HRK 468.441.194,00, expenditures in the amount of HRK 438.231.130,00 and a surplus of revenues in the amount of HRK 30.210.064,00 (eleven student centres showed a surplus of revenues over expenditures in the amount of HRK 30.390.403,00, and one deficit in the amount of HRK 180.339,00).

Six unqualified and six qualified opinions were expressed on the financial reports of student centres, and five unqualified and seven qualified opinions on the compliance of operations. The criteria for expressing opinions were laws and other provisions and internal acts which regulated the framework of financial reporting and operations of student centres.

The audit identified irregularities and omissions, that affected the expression of opinion, are related to the scope and internal organization, internal control system, planning, financial statements, accounting, revenues, expenditures, assets and public procurement procedures.

The audit found, inter alia:

- in the part related to the scope and internal organization, it was determined that the two student centres did not publish on their websites the annual work program, the financial plan, work reports, report on the implementation of the financial plan and information on grants, sponsorships, donations or other assistance. The annual action plan (which was adopted instead of the annual work program) and the work report, the director of the student centre did not submit to the Senate.

- some student centres did not prepare financial statements in the prescribed manner, i.e. the data presented in the financial statements are not complete since they do not contain part of income, expenses and assets or are not identical to data recorded in financial records or are presented according to types of income and expenses for non-profit organizations. The notes to the balance sheet do not contain explanations for impairment of assets and own sources, review of

ongoing litigations and review of the balance and maturity of the received loan, and the notes to the income statement do not state the reasons for major discrepancies in certain revenues and expenses in relation to the execution of the previous year.

- some student centres in the financial plans did not realistically plan certain revenues and expenditures, changes in the financial plan of one student centre do not contain the transferred surplus income from previous years, and another student centre, while having a significant deviation from the plan, did not make changes or additions not made the report on the execution of the financial plan.

Some explanations of the financial plan of student centres do not contain an explanation of programs, activities and projects that are planned to be implemented in the year for which the financial plan is adopted or explanations for individual income groups do not contain parameters for calculating the required funds for each income group or explanations for planned groups of expenditures were not given. The annual work program and financial plan of individual student centres are not connected i.e. the amounts of necessary financial resources or sources of financing of individual activities have not been determined, consequently it is not possible to monitor their realization or implementation of activities is not monitored, because there are no determined indicators for monitoring the implementation of tasks and goals from the annual work program, nor the execution of the financial plan.

- in the part of accounting operations, which refers to the recording of business events, certain student centres did not record income, expenses and assets in the prescribed accounts in the financial records. Some student centres within the off-balance sheet records, did not record in the financial records or disclose in the financial statements, other people's assets obtained for use, the value of received and given securities and other financial instruments, payment security instruments and contingent liabilities related to litigation involving a student centre.

The student centres conducted an inventory of assets and liabilities, but some student centres found that the inventory was not complete (among other things, it does not include buildings / housing owned, investments in other people's property, non-financial assets in preparation, other people's fixed assets in use, securities); other liabilities are not listed individually (by type, supplier and value) but according to data from the general ledger, by groups of accounts and no inventory lists are attached; the balance of trade receivables is determined in the report on the inventory of financial assets, receivables and liabilities in a higher amount in relation to the balance recorded in the financial records and stated in the financial statements; the legal representative did not make a decision on accepting the census and the manner of recording the determined surpluses and deficits, as well as the expenditure of assets and the write-off of assets and receivables according to the proposal of the census commission. For the stated reasons, the harmonization of the bookkeeping with the actual situation was not performed at those student centres.

- In the area of revenues, identified omissions and irregularities relate to the realization of revenues from theatre performances (no decisions have been made on the price of tickets for theatre performances held throughout the year, except in July and August) and revenues from student's employment mediation through student service (no records have been established that allow monitoring the consumption of profits made through mediation and it was not possible to determine whether the profits made through mediation in student employment were used to improve and develop the activities of the student centre in connection with improving and developing living and working standards of students).

- In some student centres, the criteria for determining the incentive part of the employee's salary are not determined, and salary supplements are paid based on the proposals of immediate superiors and monthly decisions of principals which do not specify the criteria on which employees are entitled to allowances and criteria for their calculation are not determined by an internal act. Coefficients for salary calculation i.e. points for work complexity for positions determined by the internal organization of the student centre are not determined by the Rulebook on the organization and internal organization of jobs, which is not in accordance with the provisions of the Rulebook on work.

- in the field of public procurement, among other things, irregularities and omissions identified are related to keeping the contract register (in some cases the register is not kept or published in a standardized form in the Electronic public procurement notice; does not contain data on the subject of procurement whose value is equal to or greater than HRK 20.000,00 without value added tax or does not contain the date of final execution of the contract or the final total amount paid on the basis of the contract). Some goods were procured without carrying out the prescribed procurement procedures i.e. the procurement was performed by direct contracting, some procurement items were realized above the estimated value of procurement of goods and there were no records of monitoring the execution of individual contracts, records of concluded contracts for simple procurement, or records of purchase orders.

For all identified irregularities and omissions in the operation of student centres, the State Audit Office issued orders and recommendations, the implementation of which would contribute to the truthful, reliable and accurate presentation of funds, sources of funds and revenues and expenditures in financial statements and increase compliance with laws and other provisions and to the efficiency of funds usage.