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CONTENT

VOLUME 11, 1/2024, P. 102

ARTICLES

- SCISKALOVÁ, Marie - VÁCLAVÍKOVÁ, Anna: Legal aspects of social security in the Czech Republic **5**
- KUPEC, Václav - AYTAÇ Alp - KURT Yusuf: Design of an audit universe: let's audit challenging processes of modern public administration **25**
- VYBÍHAL, Václav: The tax system of Slovakia in the context of 30 years of its existence **47**
- STRÁNÍK, Libor: Provision of social services on the platform of inter-municipal cooperation in the Czech Republic: case study **66**
- JAKUBČINOVÁ, Martina - MASÁROVÁ, Jana - ŘÁDEK, Miroslav: Program budgeting of municipalities in Slovakia – expectations and reality after 20 years **81**

REVIEW

- KÓŇA, Andrej: Johansen, B. E. (2023). Nationalism vs. Nature: warming and war **94**

MARIE SCISKALOVÁ¹, ANNA VÁCLAVÍKOVÁ²

LEGAL ASPECTS OF SOCIAL SECURITY IN THE CZECH REPUBLIC³

Abstract

The paper aims to introduce the legal system and organizational structure of social security in the Czech Republic, and the scope of the Czech Social Security Administration. Subsequently, it will also point out the functioning of district social security administrations and present some current legal aspects in this area, in connection with the functioning of social policy in the Czech Republic. The intention is to point out the extent of legal regulations, the position of the administrative body in deciding on the rights and obligations of clients, and, finally, the development of the number of citizens entitled to an old-age pension.

Key words: state administration, law, law, obligation, social security, Czech social security administration

1 INTRODUCTION

Today, The paper focuses on the monitored area of the present, especially the issue of extensive activities of the Social Security Administration in the performance of state administration. In this regard, reference will be made to their social security status in public administration. The paper aims to introduce some of the relevant legal regulations, to characterize the performance of state administration and the activity of the position of officials of the Social

1 Department of Public Administration and Social Policy, Faculty of Public Policies in Opava, Silesian University in Opava, Bezruč Square 14, 746 01 Opava, Czech Republic, marie.sciskalova@fvp.slu.cz, ORCID iD: <https://orcid.org/0000-0002-3876-9646>.

2 Department of Public Administration and Social Policy, Faculty of Public Policies in Opava, Silesian University in Opava, Bezruč Square 14, 746 01 Opava, Czech Republic, anna.vaclavikova@fvp.slu.cz, ORCID iD: <https://orcid.org/0009-0002-7146-5086>

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Security Administration from the theoretical point of view. In the practical part, statistical data on the development of the number of issued decisions on granting pensions, whether old-age or early, will be presented. It can be stated that in the Czech Republic, social policy is currently being discussed separately within the framework of public administration. Social policy, or more precisely the social system in its current form, is based on the principle of assistance from the state as well as state assistance in implementing crisis intervention for persons in an unfavorable social situation (Bočáková, Imrovič, 2021).

This was not the case in the past. The state's participation in the conception and application of social policy can be dated back to the 20th century when its attitude changed quite significantly. The twentieth century brought a significant change in the new conception of the state's economic policy, and in the spirit of the new concept, the state is also becoming a significant factor in the field of social policy. The active role of the state in social policy is based on the idea of ensuring a dignified life, helping those in need, and supporting the long-term development of society (Orlíková, Levická, Draková, 2024), including quality of life, health (Imrovič et al., 2022). The state is taking on a difficult and financially demanding role also in the context of the manifestation of social indicators (Kováčik, Imrovič, 2019).

The content and significance of social policy are understood differently by many experts, but it is necessary to objectively admit that it is not possible to establish a precise and uniform definition, although several authors have tried to do so (Krebs, 2015), (Brdek, 2002), (Durdisová, 2005). This is clearly due to a different view of the content of the term social policy. Therefore, we are inclined to agree with one of the other authors (Kaczor, 2022), who tried to put a kind of synthesis of all opinions and views into a simplified definition: Social policy is a set of tools and measures of states that lead to the support of people with a social handicap (e.g. illness, unemployment, old age, etc.), as well as to the support of socially desirable behavior (motherhood and parenthood, care for the elderly, etc.). Social policy represents activities, tools, and measures to fulfill the essence of the welfare state. Social events, such as illness and unemployment, are subject to resolution, whether of health or social concerns.

Ensuring equal and dignified living conditions, justice and legal protection for citizens is undoubtedly one of the goals of social policy as well as of the Government of the Czech Republic. The principles in this area govern, among other things, social security systems. In the available publications, experts state that social security law is a set of substantive and procedural norms designed to prevent possible social risks, eliminating adverse social consequences. Individual principles in the conditions of the Czech Republic govern social security systems (Veselý et al., 2013).

1 SOCIAL SYSTEM IN THE CZECH REPUBLIC

Legislation related to the field of social policy constitutes both public law and, to a certain extent, private law, in terms of the rights and obligations of citizens to provide for their needs in the future. Also important is the role of state administration bodies, which are called upon to apply in everyday life to the participants in administrative proceedings. These include:

- Ministry of Labour and Social Affairs;
- Czech Social Security Administration;
- District Social Security Administration.

The Ministry of Labour and Social Affairs (hereinafter referred to as the "Ministry") is the central administrative body that manages the Czech Social Security Administration and supervises the performance of state administration in social security. Among other things, the Ministry ensures tasks arising from international agreements in social security. It also assesses the state of health and the ability to work with citizens for judicial review proceedings in matters of pension insurance. Its scope covers a wide range of topics that cover the entire complex of the social system, namely:

Labor relations, occupational safety, employment, and retraining.

- collective bargaining, wages, and other remuneration;
- pensions, sickness insurance, social security and social welfare;
- care for the working conditions of women and young people;
- legal protection of maternity;
- caring for the family;
- social and legal protection of children;
- care for citizens in need of special assistance.

The law that provides for the organization and implementation of social security is Law Act No. 582/1991 Coll., on the Organization and Implementation of Social Security, as amended (hereinafter referred to as the cited Act). During the period when it came into effect, it underwent many modifications and amendments and was changed 152 times by 2022. The provisions of Section 1 of the cited Act govern the organizational structure of social security and the competence of the Czech Social Security Administration, district social security administrations, and state administration bodies in social security to:

- collection of contributions to the state employment policy;
- the tasks of citizens and employers in the implementation of social security and management.

In matters of pension insurance and pension security, including proceedings in matters of social security contributions and contributions to the state employment policy, state social support, assistance in material need and social care, and matters of persons with disabilities (Act No. 582/1991 Coll.).

The Czech Social Security Administration (hereinafter referred to as the Czech Social Security Administration) is an administrative body that decides, for example, on pension insurance benefits, if they are decided on by another social security authority and arranges for the payment of these benefits. It also decides on appeals against decisions of the District Social Security Administration. The Czech Social Security Administration acts before the court in proceedings to review decisions in social security matters and maintains a register of pension insurance insured persons. It also manages and supervises the activities of the district social security administrations.

District social security administrations are established in districts that are identical to the territorial districts of the districts. A certain specificity is that the Prague Social Security Administration exercises the competence of the District Social Security Administration for the territory of the Capital City of Prague. The situation is similar in the territory of the city of Brno, where the competence of the District Social Security Administration is exercised by the Municipal Social Security Administration Brno.

The importance and competence of district administration in the administration of public affairs is very important, and extensive and requires the qualification of officials who fulfill their mission. District social security administrations provide citizens with extensive public services in the social area, e.g. they administer pension insurance, i.e. they process applications for pension insurance, collect social security contributions and contributions to the state employment policy, but they also collect claims for pension insurance benefits. Extensive activities are provided by organizational units, among others:

Department of Social Insurance, Department of Control, Sickness Insurance, Pension Insurance, Department of Medical Assessment Service, Register of Insured Persons and Register of Employers, Department of Internal Administration, Collection of Insurance Premiums and Execution of Execution Deductions.

The District Social Security Administration is an administrative body that decides, among other things:

- in disputed cases concerning the establishment and termination of pension insurance;
- in a dispute between a citizen and his/her employer concerning the confirmation or refutation of the correctness of an entry in the personal record of pension insurance.

Other equally important tasks of the District Social Security Administration include the assessment of the state of health and work capacity of natural people to provide benefits and cards to people with disabilities, during screening and control medical examinations. To that end, the administrative authority assesses invalidity and changes in the degree of invalidity and sickness benefits on account of the extension of the support period. Furthermore, the degree of dependence of a natural person for care allowance is also assessed, as well as the child's long-term adverse health condition and his or her inability to perform gainful activities.

The interdependence of institutions related to the field of social policy is related to another administrative body, which is the Trade Licensing Office. Trade licensing offices notify the District Social Security Administration of the establishment, change, and termination of the authorization to carry out a trade. Furthermore, the suspension or interruption of the performance of a trade, stating the date on which these facts occurred

Following Act No. 455/1991 Coll., on Trade Licensing Business, as amended (hereinafter referred to as the Trade Licensing Act), the obligation of the Trade Licensing Office towards the District Social Security Administration arises at several levels. Employers and as stipulated in § 35 lit. a) et seq. of the Trade Licensing Act, inter alia:

- keep records and report for pension insurance purposes;
- keep the necessary records of the facts relevant to pension insurance benefits, their amount and payment and submit them to competent social security institutions;
- keep records of compensation for loss of earnings after the end of incapacity for work due to an accident at work (occupational disease) paid by the employer, and issue citizens with a certificate of time and reason for the provision of such compensation and the amount of such compensation paid in individual calendar years. (Act No. 455/1991 Coll., on Trades).

The obligation towards the District Social Security Administration also arises for self-employed individuals. The obligation is defined, for example, by Section 48 of the Trade Licensing Act, where a self-employed person is obliged to notify the relevant district social security administration of the day of commencement (resumption) of self-employment or cooperation in the performance of self-employment, stating the day from which he or she is entitled to perform this activity, the date on which self-employment ends.

The District Social Security Administration may impose an offense for failure to fulfill the obligations imposed on a natural person, a legal entity, or a natural person engaged in business as a provider of health services. Depending

on the seriousness of the breach of the imposed obligations, the District Social Security Administration may impose a fine ranging from CZK 10,000 to CZK 300,000 for an offense.

The activities of the District Social Security Administration are governed by other legal regulations of public law, e.g.:

- Act No. 589/1992 Coll., on Social Security Premiums, as amended;
- Act No. 155/1995 Coll., on Pension Insurance, as amended;
- Act No. 187/2006 Coll., on Sickness Insurance, as amended.

2 PERFORMANCE OF STATE ADMINISTRATION OF THE DISTRICT SOCIAL SECURITY ADMINISTRATION IN PRACTICE IN THE CZECH REPUBLIC

The exercise of state administration not only by the "Social Security Administration", but also by other administrative bodies of public administration, such as education, health care, the environment, etc., is governed by legal regulations of public law. The legal regulation of the organization of public administration is stated in the Constitution of the Czech Republic, where in Article 79 para. Article 3(2) provides that the legal relations of civil servants in ministries and other administrative authorities are regulated by law. This Act is Act No. 234/2014 Coll., on Civil Service (hereinafter referred to as the Civil Service Act). The Civil Service Act regulates the legal relations of state employees. They carry out activities in state offices, and state administration, as a service to the state, a service to the public in the public interest.

Administrative authorities, as mentioned above, are ministries, central administrative authorities, and other administrative authorities if they are established by special laws and exercise state administration based on these laws. As stated in Section 4 of the Civil Service Act, an administrative authority, a state authority, or a legal entity for which another law provides. The civil servant's place of work is the municipality in which the civil servant regularly performs his or her duties. The superior service authority is the service authority, which is the superior administrative authority according to another law.

The service relationship between a natural person (civil servant) and the state is not established by an employment contract but is a unilateral appointment by the state, with the prior consent of the natural person who intends to be a civil servant. A person who has not yet passed the civil service examination is always recruited for a fixed period. The service is performed on a permanent or fixed-term basis. Under the provisions of Section 22 of the Civil Service Act, only a person may be admitted to the service if he or she can

be expected to observe the democratic principles of the constitutional order of the Czech Republic and to perform his or her service properly. An official of an administrative body is governed not only by the relevant legal regulations but also by the Code of Ethics. Code of Ethics for Public Administration Officials and Employees.

On 9 May 2012, the Government of the Czech Republic approved the Code of Ethics for Public Administration Employees [online" by a resolution entitled "Code of Ethics for Public Administration Officials and Employees" (hereinafter referred to as the "Code of Ethics"). This document is intended to set out the principles that public administration employees will follow, adhere to, and respect in their dealings. It is obvious that employees in public administration are expected to act honestly, and undoubtedly also to have expertise and ethical values. If an official of an administrative body gets into a conflict of interest on his/her own, he/she follows the procedure set out in the Code of Ethics.

However, the enforceability of such principles should be enshrined in the official's contract of employment. As one of the authors of the paper discovers during lectures for administrative officials, these are incorporated into the codes of administrative bodies. The enforceability of the officials' breach of their obligations is therefore guaranteed.

Following the repeated indexation of pensions in 2022, for the first time in history, a situation arose where the affected entities were entitled to an old-age pension in 2023. In these cases, it was more advantageous for our citizens to apply for an early retirement pension without payment in 2022, even if the differences can be in the order of thousands of crowns per month. Since mid-September last year (2022), district social security administrations have recorded an extreme increase in applicants for early retirement pensions. As a result, hundreds of petitions were received on office days at district social security administrations in the Czech Republic. The new fact associated with the initiation of administrative proceedings required the administrative authorities to adopt measures. The applicants were divided into the first group of applicants for early retirement pension with payment and the second group applying for early retirement pension without payment. The pressure on the officials of the pension department, and the district social security administration, was and still is, given the above-mentioned facts, extreme.

This is related not only to the increase in the number of applicants at district social security administration and the related administrative burden but also to the performance of state administration. Administrative proceedings are a procedure stipulated by Act No. 500/2004 Coll., the Code of Administrative Procedure, as amended, which governs administrative bodies in the Czech Republic.

Principles, principles, and rules are concepts of important importance not only in administrative proceedings. We have already met them together, you remember, for example, when teaching the subject of Law. The principles are also followed in other branches of public and private law, such as criminal, financial, financial, constitutional, civil, commercial, etc. The principles take precedence over the law, they are applied in the exercise of state administration even in cases where a special law stipulates that the Code of Administrative Procedure does not apply but does not itself contain a regulation corresponding to the principles. They are of fundamental importance in the application and interpretation of individual provisions of the Code of Administrative Procedure.

An important element of the administrative procedure is the entities without whose participation the procedure would not have taken place. On the one hand, there are entities appointed or entrusted with the exercise of state administration by the State, i.e. administrative authorities, and on the other hand, entities that require or are entitled to use public service, i.e. the parties to the proceedings.

A submission by a participant in administrative proceedings is a legal act directed against an administrative authority. A submission (application) is assessed according to its actual content, and regardless of how it is marked, the submission may also be appealed. The Code of Administrative Procedure also stipulates certain requirements for submissions. Each submission in administrative proceedings must show:

- Who makes them?
- Which case is it concerned?
- What is being proposed?

The first legally binding stage is the initiation of administrative proceedings, which may be made at the request of a party or ordered ex officio (principle of officiality). The second phase is the very core of the matter, where the administrative authority ascertains the material truth from all the documents and compares them with the legal situation. By freely assessing the evidence, the administrative authority must reach conclusions in support of its decision. To ensure that the proceedings are conducted quickly and economically, the administrative authority is entitled to use legal means at this stage to ensure evidence and the smooth running of the proceedings.

The third stage of the administrative procedure is the issuance of an individual act of application to the law, i.e. the decision to which the administrative proceedings are directed. Under certain circumstances, there may be two more stages of the administrative procedure. Within the framework of the principle of two-instance, a party to the proceedings may avail itself of

ordinary and extraordinary remedies by reviewing the first-instance decisions, thus continuing the administrative proceedings in the fourth stage.

It was and continues to be necessary to consider the right of a participant in the administrative proceedings to use legal remedies and to file an appeal against the decision of the District Social Security Administration.

This is the use of the ordinary remedy, which is an appeal. However, this can only be used if the decision on the merits has not become final. The area of remedies also includes extraordinary remedies. These are reviewing proceedings, retrials, and new decisions.

Such extraordinary remedies can only be used in cases where the decision is in legal force. Proceedings in this regard may be initiated ex officio or at the request of a party to the administrative procedure.

At this point, it is necessary to refer to the appeal as a point of law. By the provisions of Section 12 of Act No. 150/2002 of the Code of Administrative Justice, the Supreme Administrative Court is the supreme judicial body in matters falling within the jurisdiction of the administrative courts. Among other things, it ensures the unity and legality of decision-making by deciding on cassation appeals in cases provided for by this Act, and by deciding on other cases provided for by this or a special Act.

The last stage of administrative proceedings, used in social law, is execution (enforcement of decisions). If the debtor does not comply with what the administrative authority has ordered him to do in the decision, institutional enforcement of the imposed obligations may be used, which we call enforcement proceedings, i.e. the fifth stage of the proceedings. By the provisions of § 179 para. 5 of Act No. 280/2009 Coll., the Tax Code, as amended, tax execution can only be carried out in the following ways:

- deductions from wages;
- ordering a receivable from an account with a payment service provider;
- by ordering another pecuniary claim;
- impairment of other property rights;
- the sale of movable property;
- sale of immovable property.

The most common way of recovering arrears or unpaid debts is to deduct from wages and order the receivable from the account with the payment service provider. In terms of pension policy in the Czech Republic, Act No. 155/1995 Coll., on Pension Insurance, as amended, has been amended. As of 1 January 2023, the old-age pension for each child raised will be increased by CZK 500. Although it was initially assumed that only women would be entitled to the so-called child-rearing allowance for the previously stated

reason of compensating for the reduction in pension that occurred because of career fluctuations between men and women, in the end, men were also entitled to the child-rearing allowance.

Given the above, it has been decided that as of 1 September 2022, not only widowers of old-age pensioners but also men, and old-age pension beneficiaries, who have declared that they mainly cared for a child, can apply at the district Social Security administration. For example, because the wife is not yet a beneficiary of an old-age pension, or for some reason they do not want the wife, or the former wife or mother of their child, to receive the child-rearing allowance.

2.1 Main activity of the Czech Social Security Administration in 2022

As mentioned above, the Czech Social Security Administration is an administrative body with nationwide competence. The organizational structure of this administrative body consists of the headquarters, 6 offices, and 77 district social security administrations, including the Prague Social Security Administration, their territorial offices, and the Municipal Social Security Administration Brno. It is headed by a central director. The headquarters is the central organizational unit with management, conceptual, coordinating, methodological and control responsibilities. The exercise of state administration concerns, for example, decisions on pensions and their payment. Departments of the Czech Social Security Administration are territorial organizational units with competence in specified areas for designated territorial districts. The units participate in the development of the national concept in the field of pension insurance, sickness insurance, insurance premiums, and executive deductions from pension insurance benefits. The activities of the Czech Social Security Administration are concentrated on pension and sickness insurance and the collection of insurance premiums, providing information and advisory services to citizens (individual service is provided by three specialized call centers, a call center for pension insurance, a call center for sickness insurance and a call center for eServices technical support. (Report on the activities of the Czech Social Security Administration, www.cssz.cz, hereafter referred to as the Report on the activities of the Czech Social Security Administration).

2.2 Pension insurance

In 2022, 249,526 new applications for pensions were made to the Czech Social Security Administration, 41,000 more than in 2021. 204,387 decisions were issued, i.e. pension applications were processed. The increased difference between applications submitted and processed is due, among other things, to

the accumulation of a significant increase in the number of new applications for early retirement pensions in the last quarter of 2022. In addition to these new applications, the Czech Social Security Administration received 297,000 additional applications, e.g. applications for an increase in the retirement pension of citizens who were gainfully employed while receiving it. In 2022, the Czech Social Security Administration received 23,831 applications for pensions with an international element, of which 8,837 were with a Slovak element (Reports on the activities of the Czech Social Security Administration, p. 29).

In terms of the use of appeals by the clients of the Czech Social Security Administration, 13,327 objections were filed against the decisions issued by the Czech Social Security Administration in 2022, up by 617 from 2021 (e.g. submissions concerning the assessment of health by the medical assessment service or disagreement with the assessment). Of the 70.1% of first-instance decisions challenged by objections, the appellate body, the Ministry of Labour and Social Affairs, upheld, modified, or annulled 25.4% of the decisions. The remainder of the total is made up of proceedings on objections to applications (Activity Reports of the Czech Social Security Administration, p. 30).

The Czech Social Security Administration, as shown in the Activity Report, has adjudicated the affairs of citizens who received pensions and enforcement proceedings have been initiated against them. Table 15 under the heading "Statistics on the execution of deductions from pensions". In this connection, the Czech Social Security Administration received 921,384 complaints in 2022, of which 114,553 were new executions and in 52,671 cases it was not possible to execute because of the low number of benefits (Reports on the activities of the Czech Social Security Administration, p. 36).

2.3 Sickness insurance

The area of sickness insurance, which belongs to the portfolio of the Czech Social Security Administration, also deserves attention. In 2022, a total of 4 169 450 sickness insurance benefits were processed. Of this number, sickness benefits accounted for the majority with 68.39%, followed by maternity allowance with 16.92% and nursing allowance with 13.04%. Other types of benefits again accounted for only a negligible amount of the total number of processed sickness insurance benefits, namely pregnancy and maternity allowance at 0.04%, paternity allowance at 1.18%, and long-term nursing allowance at 0.43%.

In the year under review 2022, decisions were issued by individual district social security administrations in the field of sickness insurance by Act No 500/2004 Coll., Administrative Procedure Code, as amended. The

decisions concerned:

- the origin, duration, and termination of sickness insurance (if a dispute has arisen over participation in sickness insurance),
- of benefits and their withdrawal, cessation of payment of benefits and changes in their amount, repayment of overpayment of benefits,
- payment of sickness benefits after the expiry of the support period, termination of temporary incapacity for work (in specified cases),
- reimbursements (reimbursement of sickness insurance benefits paid by a third party in situations where the payment of sickness insurance benefits to the insured person was due to an unlawful act committed by that third party) and offenses.

By the principle of the second instance, appeals may be brought against decisions rendered. In the field of sickness insurance, a total of 1,639 appeals were lodged in 2022. Of the 1,639 appeals, the largest number (990) were against decisions taken in proceedings for payment of sickness benefits after the expiry of the support period. A total of 647 appeals were lodged in the year under review 2022, most often against decisions taken in benefit award proceedings or against decisions to terminate temporary incapacity for work. For example, appeals against decisions issued in proceedings concerning the obligation to pay recourse compensation or in proceedings concerning the reduction or withdrawal of sickness benefits on the grounds of a breach of the temporary incapacity for work regime were filed in a lower number of cases (Reports on the activities of the Czech Social Security Administration, p. 41). A total of 16 lawsuits were filed in court by clients against decisions issued by the Czech Social Security Administration confirming first-instance decisions in sickness insurance matters. During the year, the Czech Social Security Administration received 21 judgments from regional courts reviewing decisions of the Czech Social Security Administration issued in sickness insurance matters. In 9 cases the decisions were confirmed (Reports on the activities of the Czech Social Security Administration, p. 42).

The collection of insurance premiums, as indicated in the Report on the activities of the Czech Social Security Administration (p. 48), has been at around 99% for a long time. The collection in 2022 amounted to CZK 621 393 million. Insurance premiums and penalties receivable are ordered to be paid to premium payers either by arrears statements or by payment assessments. As of 31 December 2022, the cumulative outstanding claims amounted to EUR 58 759 million. This is an increase of CZK 1 159 million compared to 2021.

CZK. As of the same date, the accumulated bad debts amounted to CZK 12 015 million. CZK. The most frequent reasons for writing off receivables due to their uncollectibility are, in the case of natural persons, death or the debtors' impotence, or the fact that previous collection efforts have been unsuccessful. In the case of foreigners, it was the termination of residence in the Czech Republic.

2.4 Pension and sickness insurance for self-employed people

In 2022, the number of registered self-employed people increased by almost 2.5%. This would be recorded despite the worsening economic environment, the rise in inflation, and the extreme increase in energy prices. The absolute number of registered self-employed people thus reached an all-time high. Among the newly registered, most self-employed people are those who carry out their activity as their main activity and account for almost 60% of the total. As in the previous year, the number of self-employed people covered by sickness insurance increased by almost 1.5% compared to 2021. The number of self-employed people with insurance coverage as of 31 December 2022 totalled 1 104 258. Of this number, 649 self-employed persons reported self-employment as their main activity, and 455,069 self-employed persons reported self-employment as a secondary activity (Reports on the activities of the Czech Social Security Administration, Table 22, p. 44).

In 2022, the Czech Social Security Administration gradually computerized communication with the self-employed regarding the registration and payment of pension insurance premiums. The transition to change the method of calculating the penalty from a fixed daily penalty rate of 0.05% to a civil penalty calculation of default interest was also completed.

In 2022, work on sickness insurance benefits for self-employed persons was completed, the conditions under which paternity benefit is payable were extended, and the period of entitlement to this benefit was extended from one to two weeks. The ratio between newly registered self-employed people and those who have registered for sickness insurance for self-employed people is lower, reflecting the fact that participation in sickness insurance for them is voluntary. (Reports on the activities of the Czech Social Security Administration, pp. 44, 45).

2.5 Control activities of the Czech Social Security Administration

Control is an important aspect of management; the saying "he who controls, controls" is well known. Control can be characterized as the determination of the actual state and comparison with the legal state, the

essence of control is the evaluation of the real state with the management intentions.

The importance of the preventive function of the control lies in the fact that employers should learn from the shortcomings and errors detected by the Czech Social Security Administration, not to repeat incorrect practices and to fulfill their legal obligations without fail.

The Czech Social Security Administration is entrusted with control activities in compliance with social security legislation and is entitled to control the fulfillment of employers' obligations imposed by social security regulations. Control activities in the field of social security have an important corrective function in detecting deficiencies in the employers' practice in fulfillment of their obligations and an important preventive function.

The Czech Social Security Administration concentrated its inspection activities at the relevant time on eliminating the deficiencies identified, thus ensuring that correct and complete data were kept in the records of this administrative body (the register of employers and the register of insured persons). This is essential for the implementation of social security and for ensuring that insured people have adequate benefit entitlements. The monitoring activities of the district social security administrations in the period under review also included monitoring compliance with the regime for temporarily unfit insured people.

The control activities of the district social security administrations were directed at establishing and controlling compliance with the treatment regime of temporarily unfit insured people, thereby ensuring, inter alia, the efficient use of State funds for the payment of sickness benefits. The treatment of a temporarily unfit insured person is determined by the attending physician at the time of the decision on the occurrence of temporary incapacity for work. Sickness benefits may be temporarily reduced or withdrawn from an insured person who has breached the temporary incapacity for work scheme or failed to cooperate with its control. Violation of the temporary incapacity for work scheme of an insured person shall be understood as an act that adversely affects the treatment and health of the temporarily incapacitated insured person and hinders or delays the recovery of his/her ability to work.

Failure of the insured to cooperate with the inspection is, for example, failure to mark the place of residence or the bell with a name tag. Finally, the doctors of the Medical Assessment Service carry out checks on the procedures of treating physicians in assessing their state of health and temporary incapacity for work (Reports on the activities of the Czech Social Security Administration, pp. 55, 56) .

In the area of monitoring employers' compliance with social security obligations, which is carried out by the Czech Social Security Administration,

the aim was to verify whether employers in the audited period proceeded in applying the relevant legal norms and whether they complied with their obligations. Checks on the fulfillment of employers' obligations in sickness and pension insurance and on the fulfillment of their obligations as payers of insurance premiums are part of the activities of the district social security administrations.

When inspecting employers, the district social security administrations verify the determination of the correct amount of the assessment bases of employees and employers and the amount of insurance premiums derived therefrom. They also check compliance with obligations in the field of sickness insurance, such as the reporting and notification obligation to the district social security administration, the correct assessment of employees' participation in insurance, and the correctness of the data reported by employers to determine the amount of sickness insurance benefits. Checks also focus on the fulfillment of pension insurance obligations, including the maintenance and completeness of supporting records, and the maintenance and accuracy of data reported.

The role of the Social Security Administration in the Czech Republic is significant. The competence of the Czech Social Security Administration, the territorial social security administrations, in the field of social security, the collection of contributions for state employment policy, and the tasks of citizens and employers in the implementation of social security, is inherent. The exercise of state administration, i.e. proceedings in matters of pension insurance and pension security, including proceedings in matters of social security contributions and contributions to state employment policy, state social support, assistance in material need and social welfare, and matters of people with disabilities, contributes inherently to meeting the legitimate needs of citizens and other eligible subjects.

Municipal authorities, municipal trade licensing authorities (hereinafter referred to as "trade licensing authorities"), and the authorities of the Financial Administration of the Czech Republic also exercise competence in the field of social security.

3 PLANNED 2022 AMENDMENTS TO LEGISLATION ON SOCIAL POLICY

The difficulty of fulfilling the objectives of social policy in the Czech Republic because of the resulting steps of the Legislative Council of the Government of the Czech Republic leads to further amendments to legal regulations. Since 3 August 2022, an amendment to the Act on the Organisation and Implementation of Social Security and other related changes, namely a change in the structure of social security administrations, has been in the

inter-ministerial comment procedure.

Since 27 October 2022, proposed amendments aimed at remedying unsatisfactory or obsolete provisions have been in the inter-ministerial comment procedure, namely:

- of the Law on the Organisation and Implementation of Social Security;
- of the Act on Social Security Premiums and Contributions to the State Employment Policy;
- of the Pension Insurance Act;
- of the Sickness Insurance Act.

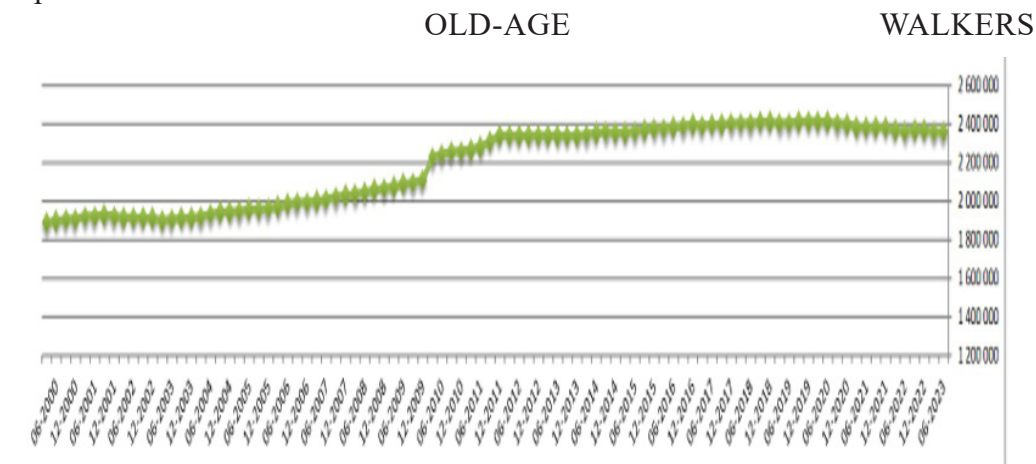
Since 20 October 2022, an amendment to the State Social Support Act and other related laws has been being prepared in an inter-ministerial comment procedure, which allows a grandparent to be appointed a recipient of parental allowance at the request of a parent and to be able to participate in pension insurance based on this care, and a new obstacle to work on the part of the employee, the so-called grandparental leave, is introduced, among other things.

Table 1. Overview of statistical data of the register of pensioners in the Czech Republic as of June 2023

Total pensioners	2,939,958
Of which	2,358,367
premature	696,835
Males	
Old-age pensioners	948 967
Males	
Early pensions	299 291
Females	
Old-age pensioner	1,409,400
Females	
Early pensions	397 544

Source: CSSZ.CZ.

Graph 1. Overview of statistical data of the register of pensioners in the Czech Republic as of June 2023



Source: CSSZ.CZ.

Both the graph and the table above confirm the trend of gradual population aging in the Czech Republic and the annual growth in the number of old-age pensioners. It is obvious that the top bodies of the Czech Republic, and especially the Government of the Czech Republic, have been dealing with such serious issues for a long time.

CONCLUSION

The legal framework of social security is not something that is automatically given and can only be used. It is a tool that addresses the situation when it is needed, but it is also a tool of merit and objectivity. The paper intends to present the legal system and the organizational structure of social security in the Czech Republic, especially the remit of the Czech Social Security Administration. Subsequently, it was also to point out the extensive activities of social security and to indicate some current legal aspects in this area, in the context of the functioning of social policy in the Czech Republic. Public administration is a public service. Anyone who performs tasks arising from the competence of an administrative authority must behave courteously towards the people concerned and accommodate them as far as possible. (Administrative Procedure Code, § 4, paragraph 1).

In connection with the exercise of state administration, the administrative authority shall provide the participant in the administrative proceedings with adequate information on his rights and obligations and shall enable him to exercise his rights and legitimate interests. (Administrative Procedure Code,

§ 4, paragraph 2). In a modern democratic state, the performance of public administration is still conceived as a public service (Hrabák, J., Nahodil, T., 35 p.).

Public service is that fact which entitles the administrative authority to use its superior position vis-à-vis the other (the party to the administrative procedure) who requests the service. The administrative authority addresses its unilateral decision to the other party at the initiative of the party who requested the decision or in whose favor it is issued. Unilateral decision-making is a characteristic aspect of administrative regulation of legal relations in administrative law. Both parties to an administrative relationship are bound by the law and are equal before the law; they are the bearers of rights, obligations, and responsibility for their actions.

In conclusion, it is worth adding that in addition to the already mentioned laws and regulations of the Government of the Czech Republic, these are also supported by the Constitutional Act No. 1/1993 Coll., the Constitution of the Czech Republic, as amended, the Charter of Fundamental Rights and Freedoms, Act No. 2/1993 Coll. As a member country of the European Union, we can find some support in the principle and concept of the EU Social Policy, even though it is not one of the common EU policies and thus allows for its national-specific platform.

The 1994 White Paper on European Social Policy is also undeniably an important document, and the European Social Charter is a pillar of social understanding and perception of social needs and conditions. The European Commission outlined the future direction of domestic and European social policy in July 2008 with the adoption of the so-called Renewed Social Agenda, which aims to modernize social policy to meet the needs of the twenty-first century. As a result of technological change, globalization, and an aging population, European society is changing. The policies of individual EU countries, including the Czech Republic, must keep pace with these trends and help people adapt to changing circumstances.

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VÁCLAV KUPEC¹, ALP AYTAÇ², YUSUF KURT³

DESIGN OF AN AUDIT UNIVERSE: LET'S AUDIT CHALLENGING PROCESSES OF MODERN PUBLIC ADMINISTRATION

Abstract

The continual transformation of public administration gives rise to new risks. What are the risks and how to mitigate them? The answer to these questions is the application of the concept of audit universe. An audit universe is a collection of selected areas of public administration that need to be regularly audited for potential risks, compliance with the law, and strategic goals. It is of importance to society as it promotes efficient management of public administration processes and supports transparency and responsibility in the management of public resources. The article aims to design a methodological framework for the implementation of an audit universe that will integrate selected data analytic approaches, comprehensively identify major risks, and define areas for subsequent auditing of public administration. To meet the aim, the methods of criteria-based selection of organizational units, key processes, identification, and assessment of risks are used together with text analytics. The results show an audit universe and give an overview of key areas of public administration for further auditing, which will be used as a basis for planning and efficient risk management. An audit universe will also help to determine the granularity of the audit, i.e. the extent and detail in which the selected processes should be audited. This is supplemented with audit diagnostics that present sets of risk subprocesses for the audit universe and further auditing. The advantage is direct facilitation of a systematic and efficient approach to auditing of public administration, support for the necessary transparency, and responsibility for the optimization of public resources

Key words: Audit, Audit Universe, Public Administration, Risk

1 Faculty of Social Sciences, University of St. Cyril and Methodius in Trnava, Bučianska 4/A, 917 01, Trnava, Slovakia, email: vaclav.kupec@ucm.sk, ORCID iD: <https://orcid.org/0000-0003-3731-994X>..

2 Faculty of Economics and Administrative Sciences, Bursa Uludag University, Görükle Kampüsü 16059 Nilüfer/Bursa, 16130, Bursa, Türkiye, email: alpaysac@uludag.edu.tr, ORCID iD: <https://orcid.org/0000-0003-4949-4884>..

3 Özalp Vocational School, Van Yüzüncü Yıl University, Bardakçı District, Tuşba/Van, 65090, Van, Türkiye, email: yusufkurt@yyu.edu.tr, ORCID iD: <https://orcid.org/0000-0002-1071-4205>..

1 INTRODUCTION

The development of our society is continually transforming many social paradigms (Kupec, 2023). This development affects also public administration, or in other words the administration of public affairs (Erneker, Pána, 2017). It can be proved that public administration is being transformed by digital transformation, increased transparency, and support of civic participation (Karpa et al., 2023), and other trends. These trends, together with the ongoing implementation of other phenomena that currently include artificial intelligence, contribute to a predictive and proactive model of public administration. At the same time, public administration must adapt to other trends, which are often risky (Yessimova, Danyshbayev, Yergaliyev, 2024). The presented transformation indicates a shift from traditional bureaucratic systems to modern public administration systems that are better suited to the needs of the citizens and society.

The continual transformation of public administration gives rise to paradigms the aim of which is to manage the trends and provide solutions to the challenges of modern public administration that put emphasis mainly on efficiency, productivity, and democratic values (Bryson, Crosby, Bloomberg, 2014). The transformational, or modern paradigms support the active participation of citizens, the involvement of stakeholders, and joint management through various processes, such as deliberative democracy, electronic democracy, and participative budgeting (Bingham, Nabatchi, O'Leary, 2005). These paradigms reflect the impact of globalization and neoliberalism on public administration and lead to reforms that are aimed at targeted improvement of the provision of public services and satisfaction of citizens (Acar, 2020). This development references the continual enrichment of public administration (Kupec, 2023) and its adaptation to the evolving needs of society.

The abovementioned developments of our society (Draková, 2024) as well as a continual transformation of public administration include existing, evolving, and new risks (Ključnikov et. al., 2025). They mostly have the attributes of social, economic, technological, and environmental threats, which calls for proactive strategies of mitigation to ensure social safety (Khadzhyradieva et al., 2021) at both national and international levels. Proactive strategies aim to minimize the impacts of the threats on society (Zhanseitova, Tleuberdiyeva & Auelbekova, 2022), which may affect the setting of public policies. Current research also emphasizes the need for further scientific analysis of these topics. Risks are identified and comprehensively managed using the techniques of risk management (Sidorova et al., 2022) that can mitigate risks.

Risk management has greatly evolved since Markowitz's statistical model. Today, risk management includes a wide range of sophisticated techniques, including risk value calculation, conditional value at risk, and load testing

(Alexander, 2009). In line with current trends, risk management has become more data-oriented. It also digitally combines traditional subjective assessment (Švec et al., 2024) with other analytical methods, such as Bayesian networks, to create a more comprehensive assessment of risks. Subsequently, risk management is understood as a complex of conduct and thinking that aims to mitigate or eliminate risks (Vávrová, 2014). Thus, risk management is one of the specialized activities that are necessary for the supervision of strategic policies (Ayuningtyas, Harymawan, 2022), which can also apply to public administration policies.

Risk management is connected to auditing in its application, primarily thanks to risk analysis (Kupec, 2018). Here it concerns the so-called risk-based audits. Within the context of the ongoing transformation, auditing plays a crucial role in risk mitigation (John, Sharma, 2023). At the same time, auditing is defined as a scientific discipline that monitors selected processes, registers results, and proposes action steps (Müllerová, 2013). Auditing in public administration is a key element for the optimization of processes and ensuring efficient management. It includes mapping and analyzing organizational processes to identify areas for improvement and rationalization. Audits assess selected risks and focus on threats to efficiency, effectiveness, and economy (Cassel, 2014). As public administration faces increasing pressures to prove efficient management of resources, auditing is an extremely useful tool in the public sector.

What risks does public administration face, and does it need to be audited? An answer to these questions may be the concept of an audit universe. “The audit or risk universe identifies all risks that could be subject to audit. The result is a list of possible audit engagements that could be carried out.” (Murdock, 2018, p. 53) The audit universe is, thus, a comprehensive framework for planning and performing audits. According to some theories, it includes data analysis and approaches based on risk assessment, and in this way, it goes beyond the traditional methods of classical management. The audit universe is based primarily on data analytics, from planning to reporting, and helps detect hidden threats (Cangemi, 2014) to public administration. The concept of the audit universe goes beyond the traditional performance of audits. Currently, the audit universe is an inherent part of modern auditing and allows for a more comprehensive perspective of the audited environment.

Thus, we can conclude that the current development of society has been comprehensively transforming public administration, which responds to general modern trends. The implementation of technology such as artificial intelligence allows for more efficient and proactive models in public administration. The above transformation may also improve selected public services. Public administration must at the same time respond to new risks that have emerged in the public space due to the transformation. The risks have aspects of social, economic, technological, and environmental threats, which calls for the application of

proactive strategies to mitigate these risks. For this, risk management together with modern auditing methods and audit universe approaches can be used, since the audit universe provides tools for comprehensive planning and identification of risks in public administration. These approaches, in turn, help improve public policies and the satisfaction of citizens.

Modern public administration and its transformation towards digital, transparent, and participative models face risks that are linked to various threats and require advanced methods of risk mitigation. The problem (P1) relevant for scientific and professional solutions is, thus, an innovative implementation of the audit universe in public administration that would include a comprehensive risk analysis for the identification of hidden threats to public administration efficiency. The aim (A1) of the paper is, thus, to design a methodological framework for the implementation of the audit universe that will integrate selected data analytic approaches, comprehensively identify major risks, and define areas for subsequent auditing of public administration. The contribution (C1) will reflect modern processes in public administration, including responsible management, transparent decision-making, and better use of resources, which will create a mix of positive impacts on society.

1 LITERATURE REVIEW

A literature review presents the author's selection of literature based on a literature search and content analysis of the selected topics. A literature search facilitates an understanding of the current state of scientific knowledge (Machi, McEvoy, 2012) and a synthesis of individual theories (Bell, Bryman, Harley, 2011). A content analysis subsequently allows a multi-criteria selection (Weber, 1990) and presentation of theoretical results (Gavora, 2015). The PRISMA 2020 methodology in the Web of Science, Scopus, and ProQuest databases was employed for the areas of "Audit", "Audit Universe", "Public Administration", and "Risk" which constitute the fundamental content of the present review. Relevant texts were selected from scientific disciplines that concern exclusively "Economics", "Law", "Management", and "Public Administration". The selection was defined by the time interval (2015–2024), the number of citations, and the publication of documents.

1.1 Public Administration

The application space of the present paper is public administration. How is public administration perceived or defined in current theories? In the Czech Republic, the study of this area is inspired by American and European schools of thought (Potůček et al., 2017). Public administration is a prominent

area of study as the pressure to enhance its efficiency increases. Efficient and modern public administration is understood as a service to citizens where efforts to implement reforms are present (Marišová, Lichnerová, Machyniak, 2021). Public administration represents a basic subsystem of our social system (Matei, Antonovici & Săvulescu, 2017). This system serves the satisfaction of individual and collective needs of citizens in society. The given system of public administration is performed by the state and the bodies are dependent on it (Szynowski, 2019).

“In a society organized by state, public administration refers to the administration of public affairs that is implemented as the exercise of executive power in the state. This executive power is mostly characterized as public authority that is implemented primarily by the state.” (Erneker & Pána, 2017, p. 11). Public administration can be interpreted using the abovementioned social, economic, technological, environmental, and other perspectives (Potůček et al., 2017). Another interpretation of public administration is that it is a bridge connecting society and politics (Feka & Abdullai, 2019). Public administration in its modern understanding is thus a highly complex organism. This complexity arises from the very character of the public sector, which mediates the provision of services and ensures social self-administration (Bruno, 2018), which contains potential risks.

1.2 Supervision of Public Administration

The elimination of potential risks or supervision of public administration is helped by Supreme Audit Institutions (SAI) or Supreme Audit Offices (SAO). “The Supreme Audit Office performs the audit of public spending from the state budget. Thus, the audit comprises a formal audit (accounting and documentary) and a content audit (economic), the aim of which is to establish how economically, efficiently, and effectively the public spending was handled.” (Ochrana et al, 2010, p. 41). The mandate of the supreme audit offices to audit the economy, efficiency, and effectiveness is reflected in new public management. The approach of SAIs/SAOs differs in different countries, which is given by their constitutional position and administration culture (Pollitt & Summa, 1997). Regardless of the differences in their audit activities, the comparison of these institutions will detect similarities in their historical trajectory and institutional development (Hudáková Stašová, 2019).

Supreme audit institutions, by delegation, ensure the responsibilities of the public sector through different audits. They include audits of financial statements, audits of compliance with regulations, and performance audits (Cordery & Hay, 2019). Comparative studies have detected the abovementioned differences in the extent of the audits, the number of audited entities, the focus of the audits, and the types of the performed audits (Hudáková Stašová, 2024). Supreme audit offices as independent state bodies audit, in particular, the use of financial resources and

property of the state, local self-administrations, and, finally, the resources provided by the European Union. The audit activities are performed by an audit activities plan (Helešiová, 2022). An audit activities plan is a fundamental document for the performance of auditing across the different areas of public administration.

1.3 Auditing and Audit Universe

An audit universe is a basic paradigm for advanced auditing, and it can be claimed that it includes a complete range of potential audits based on risk assessment and their significance. An audit universe serves as a basis for the preparation of annual audit plans that are usually divided into more detailed quarterly plans (Cangemi, 2014). “The audit universe should be a full list of all possible audits even if there is no intention currently (or insufficient resources) to audit them all. This should be listed in a table or spreadsheet.” (Nzechukwu, 2016, p. 32) It can be concluded that an audit universe is a comprehensive list of all potential areas, processes, functions, projects, and entities in an organization that can be audited. It serves to identify risks and plan audit activities, and it documents key processes and risks of the organization. It is an important tool for the prioritization of audit activities.

“The audit universe consists of the complete range of potential audit activities and auditable entities. It generally includes programs, initiatives, units, risks, and activities an organization is engaged in, exposed to, and that collectively contribute to the achievement of the organization’s objectives.” (Murdock, 2018, p. 53) This quote can be applied *mutatis mutandis* to processes, organizations, or the whole public administration. The definition of the audit universe assumes that it is a priority approach of the audit function, with a list of all potential areas of audit. The creation of an audit universe documents key processes and risks (Senft, Gallegos, 2010), and in this way, it is a comprehensive list of all potential areas, processes, functions, projects, and entities in an organization that can be potential subjects of audit. An audit universe is a basis for planning audits, and risk identification, and it initiates the implementation of audits as such.

1.4 Let’s Audit

If an audit is designed around the idea of risk mitigation, it is referred to as a risk-based audit. “It is a process, an approach, a methodology, and an attitude of mind rolled into one.” (Griffiths, 2005, p. 5) The genesis of risk-based audit is methodologically rooted in the verification of internal processes in organizations, and it can be universally and globally used also in public administration. A risk-based audit is an approach that focuses on areas of risk. It aims to increase responsibility by ensuring transparency, and verification of the selected control

mechanisms. A risk-based audit represents a shift from a directive activity to an activity that contributes to risk management and the achievement of broader aims (Mohammadi, Kalali, Najafzadeh, 2014). A researched audit and its professional approaches require strong support from the stakeholders, which in public administration refers to the setting of the political administration and its performance.

Risk-based audit in public administration allows auditors to perform better-targeted and more efficient audits that consider major risks (Mohammadi, Kalali, Najafzadeh, 2014). Based on this methodology, the audit resources can be efficiently managed. The implementation of this type of audit in the public sector is affected by such factors as internal processes, the engagement of top management, or the frameworks of the performed policy. “The essence of risk-based audit is therefore customer-focused, starting with the objectives of the activity being audited, then moving on to the threats (or risk) achievement of those goals and then to the procedures and processes to mitigate the risk.” (Griffiths, 2005, p. 6) In summary, this type of audit is first a comprehensive process that requires a detailed design and implementation, and its benefits include better risk management and control, including in public administration.

1.5 Final Questions?

The literature review (performed using the PRISMA 2020 methodology) focuses on methodological and theoretical approaches to public administration, the audit universe, the application of risk-based audits, and their symbiosis. Public administration is defined as a comprehensive system oriented to efficiency and satisfaction of the needs of the citizens. The audit universe provides a framework for the planning of modern audits, identification of risks, and prioritization of activities. A risk-based audit subsequently allows targeted risk management and increases responsibility and transparency in the entire public sector. Based on the abovementioned literature review, two questions (Q1 and Q2, see below) can be formulated for solution:

Q1Descriptive: What potential risks in public administration can be part of the audit universe?

Q2Explonatory: What auditing approaches and methods can be used to verify the risks in public administration?

2 RESEARCH METHODOLOGY

The research focuses on the potential risks that occur in public administration. The detected risks, embedded in the audit universe, can be better

audited and subsequently mitigated. Risk is a natural part of human society (Kupec, 2018) and it is, therefore, approached in the following way: “It indicates a potential negative effect on an asset that may derive from given processes in progress or given future event. In the common language, the risk is often used as a synonym for the probability of loss or danger.” (Hillson, Murray, Webster, 2007, p. 5.) This theory confirms that risks are present in all environments that human society finds itself in (Kupec, 2018). “Risk is a measure of the probability and consequence of uncertain future events.” (Yoe, 2012, p. 1) Methodologically, potential risks can be calculated using the following formula (Formula 1), which combines probability and consequence:

Formula 1. Risk Measurement

$$\text{Risk} = \text{Probability} \times \text{Consequence}$$

Source: Yoe, 2012, p. 1.

The measured risks can be (before being embedded in the audit universe) a part of a risk analysis with the following methodology: “The risk analysis comprises risk identification and estimation.” (Andersen, Garvey, Roggi, 2014, p. 75) Methodological processing of the risk analysis starts with the abovementioned formula, which measures probability and impact or consequence. “The first is its occurrence probability. The second is its impact (or consequence) on an engineering system project.” (Garvey, 2009, p. 4). A risk analysis is a process of defining threats, the probability of their occurrence, and their impact on public assets. The determination of risks and their seriousness build on the definition and further develops the analysis in two ways – the first is the identification of risks, the factors that have positive or negative impacts; the second is the determination of the extent of the risk from the point of view of its impacts (Fotr & Hnilica, 2014).

A risk analysis is primarily a methodological process, the aim of which is to understand the substance of the risk and its characteristics. It includes a detailed consideration of the uncertainties, sources of risks, probability, events, scenarios, control mechanisms, and their effectiveness (Djenadic et al., 2022), which falls into the framework of the audit universe, in this case within public administration. The application possibilities of a risk analysis include the CRAMM method, the OCTAVE method, or the Delphi method. “The Delphi technique is a procedure to obtain a reliable consensus from a group of experts.” (Tarantino, 2011, p. 58) This method contributes to the risk analysis, assesses the sources and causes of risks, the impacts and probability of occurrence of the impacts for the identified risk events, and the effectiveness of the available control. In this situation, the level of risk can be determined by integrating the impacts and the probabilities of risk (Bakhtavar et al., 2021).

The subject matter draws on the hypothetical presumption that processes in public administration contain risks. A risk analysis can be performed by interviews and determination of the probability of occurrence and extent of impact of the individual risks. The interviews and the determination of the probability of occurrence and impact of the individual risks can be performed effectively using the CAWI method. The results then show the evaluation of risks on a scale from least frequent occurrence to most frequent occurrence and the assessment of the impact of the individual risks on a scale from least expensive occurrence to most expensive occurrence. Based on the potential risks that have been determined in this way and their individual calculated data, a categorization of risks can be proposed based on the significance together with a graphical depiction in the form of a heat map of risks. An analysis performed in this way systematically determines the substance of the risks and their characteristics, which helps to manage them (Kupec, 2023).

The diagnostic auditing model is then applied as the basic methodological approach (Kupec, 2023). The primary part of this model is focused on risks and risk processes in public administration, and it categorizes and determines their risk significance. The model proposes as the basal step in the audit the determination by the relevant analytics of the risks that will be subsequently verified based on the extent of occurrence and frequency of impact. The model systematically provides the basic sets of major risks and at the same time, it categorizes the individual risks also based on their significance, thanks to which it provides a methodological tool not only for auditors and their work (Kupec, 2023). The categorized risks in public administration are the following: the first category includes critical risks, the second category includes serious risks, the third category includes medium risks, and the fourth category includes moderate risks. See the categorization table below (Table 1).

Table 1. Categorization of risks

Critical	Risks of expenditures
	Risks of revenues
	Risks of cost-effectiveness
	Risks of financial operations
High	Risks of efficiency
	Risks of compliance (external regulations)
	Risks of legality
Medium	Risks of effectiveness
	Risks of relevant regulations
	Risks of compliance (internal regulations)
Low	Risks of fulfilling resolutions
	Risks of handling complaints
	Risks of handling petitions

Source: Kupec, 2023, p. 97; Own processing.

Based on risks that have been determined in this way, a comparison is made with the results of audit reports for the period of the last three full years (from 2021 to 2023) by the selected Supreme Audit Institutions (Supreme Audit Office

of the Slovak Republic), which at the same time expands previous research. For selected audit reports, the audited areas are examined and subsequently calculated – it can be hypothetically deduced that the selected audited areas have already undergone a risk analysis (see granularity (Kupec, 2023)) and are therefore significant. At the same time, they can also be used for a universal audit universe. Because of the introductory theses and the determination of the aim (A1), the subsequent literature search, and the design of questions (Q), a hypothesis (H1) can be formulated:

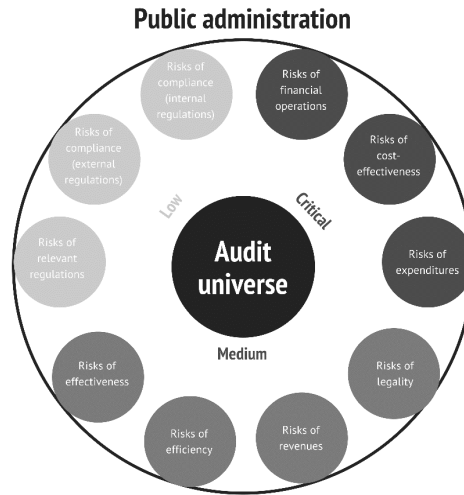
H1: If the data in audit reports can be used, areas for the subsequent auditing of public administration can be determined within the framework of the audit universe.

3 RESULTS AND APPLICATION NOTES

To analyze the audit reports of the Supreme Audit Office of the Slovak Republic, the tab “Audit Reports” on the official website was analyzed, where all reports for 2021 through 2023 were selected for the analysis. In the reports, the introductory texts on the summary and assessment of the audit results were analyzed. Using artificial intelligence, keywords related to the selected risks were searched for in these sections in the reports; the keywords are defined in Methodology, Chapter 2 (for reasons of efficiency, only critical, serious, and medium risks were included; moderate risks were not included). Thus, it concerned specific risks, or the focus on specific areas of expenditure, income, economy, financial operations, efficiency, legal regulations, legality, and effectiveness. The registered results subsequently show how often the given areas are checked in audits, which at the same time provides the basis for the construction of the audit universe.

The audit universe is constructed based on full-text analytics of 88 audit conclusions. The conclusions were issued in 2021 (25 conclusions), 2022 (34 conclusions), and 2023 (29 conclusions). The results determine the threats to public administration (Smejkal & Rais, 2013, p. 95) and the potential risks (Fotr, Hnilica, 2014, p. 16). The resulting model (Q1) of the audit universe depicts the expected occurrence of risks from least frequent to most frequent, which at the same time shows the impact of the individual risks from least expensive to most expensive (see Picture 1). This fulfills the task formulated for this paper and its aim, as the model of the audit universe should include the whole range of potential audit activities and auditable entities. It must also include the programs, initiatives, units, risks, and activities (Murdock, 2018, p. 53) that are included in the process of transforming public administration.

Picture 1. Audit universe



Source: Own processing.

3.1 Audit Universe and Risk (Q1)

If the result is a model of the audit universe, it must be linked to practice. The abovementioned areas, or risks, can be included in the planned audits. Audit planning can be divided into a strategic plan (3 to 5 years) which covers all areas of public administration. The strategic plan can be further divided into an annual plan (1 year), which covers selected areas of public administration. The annual plan can be further divided into an operational plan (parts of the year), which covers the individual areas of public administration. Based on the audit testing and audit management, it can be recommended to link the strategic plan to, for instance, the term in office in a public administration body. This means that the strategic plan or audit universe will be divided into the years of the parliamentary term. At the same time, it is advisable to prepare the annual plan in such a way that it contains both the demanding areas of the audit universe and the less demanding areas, to ensure the balance of the audit process.

The practical verification of risks in the audit universe focuses on the following audit steps. After the audit plan has been approved, mainly based on predefined criteria, such as scoring matrices that divide the risks. The area of critical risks, such as the abovementioned finance and expenditures, have the highest priority in the audit, particularly for the strategic plan, while less serious risks such as the abovementioned regulations and compliance are less prioritized. To understand the links between the risks, a map of risks can be drawn that will visualize the key areas and enable performing cluster analysis of the risk factors. Based on these analyses and visualizations, concrete audits are proposed. This

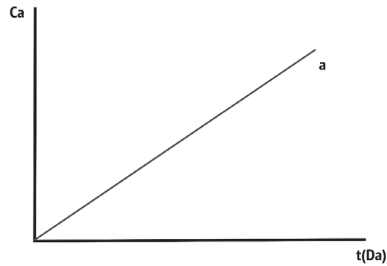
audit process ensures efficient long-term risk management and adaptation to newly emerging threats in public administration.

3.2 Audit Universe and Granularity (Q2)

The audit universe works with selected risks and subsequently also helps to determine the granularity of the audit, i.e. the detail and breakdown to which the selected public administration processes should be audited. These processes can be broken down repeatedly (Kupec, 2023) and fractal theory can be applied to them (Jančaříková, 2019) because when the process is enlarged, a self-similar structure of the process is created (Zhao et al., 2022) regardless of the scale of magnification. It is then possible to design a process based on the abovementioned audit universe and subsequently determine the necessary degree of granularity for it. But how to determine the necessary level of granularity? Or, in other words, how can we determine when the breakdown of the process is detailed enough to efficiently detect potential risks? The answer can be found in economic laws that symbiotically mix risks at the individual levels of processes and the time costs of auditing them.

It can be assumed that at each lower level of the process the risk, or the impact of the costs of the risk, is lower. Similarly, it can be assumed that the risk identification at each lower level of the process generates relatively higher costs. The optimum level of the necessary granularity (a) can therefore be read at the intersection of the axis of time (x) and costs and the granularity axis (y) and the level of detail of the process breakdown (see graph 1). It can, therefore, be recommended to determine the level of process breakdown in the preparation of individual audits, justify the determined level, and make proper note of it. Subsequently, it is advisable to determine the optimum granularity of the process according to the impacts of the risk and the potential level of cost of risk. The intersection of the time axis (x) and granularity axis (y) will then help us determine the required level of granularity of the audited process. The entire process must be recorded methodologically and discussed with the audited entity.

Chart 1. Audit granularity



Where:

a = Audit granularity

t = Time; Da = Audit detail

Ca = Audit cost

Source: Own processing.

3.3 Audit Universe and Diagnostics (Q2)

When it is clear from the audit universe which areas or risks should be audited and at what level of granularity, it is recommended to focus on what to audit. “Contemporary audits, while performed using modern approaches, are demanding in terms of time, personnel, and finance.” (Kupec, Čapošová, Písař, 2021, p. 25). It is, therefore, recommended to use the method of diagnostic audit. In the current turbulent time when the costliest commodity is the auditor’s time, it is reasonable to use the diagnostic approach first. This approach helps to sort out and determine the process level up to which the audit will be performed and define the strategic direction of each audit. Thus, the following thesis concerns diagnostics that are borrowed from medical science and can diagnose highly sophisticated problems and health risks based on universal checks (Kupec, 2023).

Audit diagnostics presents sets of risk subprocesses that are repeated for the main processes. They include “time”, “implementation” and “workers”. These sets can be further divided by finer classification into individual points that are called diagnostic points. In the “time” group, this includes the time of the start, the period of duration, and the time of the termination. In the “assessment” group, it includes efficiency, economy, or effectiveness. Finally, the “implementation” group, includes the sequence of processes, their legality, and financing. The group “workers” is not further divided, and it intersects with all the other three sets. The approach serves for a well-founded determination of the primary diagnostics of the audited processes. The proposed diagnostic sets of time, assessment, implementation, and workers are repeated fractally at each level of the self-similar process (Kupec, 2023), which can be used in public administration.

3.4 Audit Universe and Practice (Q2)

This section can be summarized based on the above results and the application notes. An audit universe can be used for modern auditing to audit challenging processes in public administration that undergo reforms. In this case, the audit universe presents a list of selected areas of public administration that require regular auditing about potential risks, compliance with law, as well as strategic goals. The results present an overview of key areas in public administration that are designated for further auditing, which, first, serves as a basis for planning and second, for efficient risk management. The advantage is direct facilitation of a systematic and efficient approach to auditing of public administration, support for the necessary transparency, and responsibility for the optimization of public resources. Thus, audit in public administration can be applied based on the following methodological framework.

The audit universe presents a proposal of areas and risks that can be audited. The risks can be included in the planned audits and subsequently checked. It is advisable to prepare the annual plan so that it contains both the demanding areas of the audit universe and the less demanding areas, to ensure the balance of the audit process. The audit universe also helps to determine the granularity of the audit, i.e. the detail and breakdown to which the selected public administration processes should be audited. Thus, it is advisable to determine the optimum granularity of the process in the preparation phase of the individual audits based on the potential impacts of risk and the potential cost of risk. After it has been determined based on the audit universe what areas should be audited and with what granularity, it is advisable to focus on what should be audited. The answer to this question is provided by audit diagnostics, which provides the sets of risk subprocesses. They include “time”, “assessment”, “implementation” and “workers”.

4 DISCUSSIONS

The present paper studies in detail the concept of the audit universe in public administration, emphasizing a thorough analysis of the basic principles and their application in practice. The results of the presented research open up space for discussion that should include not just a critical assessment of the obtained findings, but also a deeper reflection of their relevance in terms of current theories and approaches that dominate the current discourse regarding audit and management of public institutions. The key aspect of the discussion is also the identification of potential limits in the research process, which includes issues with methodology, deficiencies in data sources, or limitations related to the interpretation of results. Conclusions formulated in this way can serve not

only as a basis for the formulation of recommendations aimed at eliminating the mentioned shortcomings but also as a starting point for future research projects.

The whole text and its basic paradigms draw on theories of the development of our society in the context of transformation processes in public administration (Erneker, Pána, 2017), which presents new risks (Yessimova, Danyshbayev, Yergaliyev, 2024). Their mitigation requires strategies to ensure social safety (Khadzhyradieva et al., 2021). For this, risk management can be used (Sidorova et al., 2022), which mitigates or eliminates the given risks (Vávrová, 2014). Risk management is connected to audit (Kupec, 2018) in the form of the so-called risk-based audit. Audit in public administration is a key element for the optimization of processes and ensuring efficient management (Cassel, 2014). The audit verifies the risks embedded in the audit universe, which is a comprehensive framework for planning and executing audits (Cangemi, 2014), which does not need to be discussed.

The research of the audit universe faces certain limitations that might affect the accuracy and relevance of the presented results. This may be addressed in the following way. The primary limitation is the difficulty in obtaining data: Public administration has available large data sets, the accessibility of which is limited by various barriers – the data used in the audit results were extensive. The secondary limitation is the purity of data: The data used in public administration contain errors caused by various factors – the data used might include certain errors. The tertiary limitation is the assessment of the obtained data: The assessment often depends on the employed methods that might not be accurate – the data might have been interpreted inaccurately. These limitations must be considered responsibly in the planning and implementation of further research projects as well as in the practical application of the audit universe.

The presented discussion also emphasizes the importance of an interdisciplinary approach that allows the transfer of knowledge among different areas of public administration and contributes to a better understanding of the concept of the audit universe. It is a professional tool for the development of audit theories as it provides a systematic framework for the identification, analysis, and assessment of risks, processes, and resources in the entire public administration. The given concept makes it possible to study the complex dynamics of public administration. Thanks to its interdisciplinary nature, the audit universe supports the combination of economic, legal, and social perspectives, and in this way, it contributes to a deeper understanding of how to optimize public institutions in the context of increased expectations of society and globalization. The research in this field helps enrich the theoretical framework of public administration and strengthen professional practice, thus enhancing the interconnectedness between the academic community and auditors.

At the same time, the audit universe contributes to practice in public

administration as it provides a complete framework for its professional management. It allows the verification of risk areas that require systematic attention and the setting of priorities in audits, which leads to increased source efficiency. In practice, this concept supports the introduction of modern approaches that improve audit processes and their results. Thanks to the methodology proposed above, public institutions can respond more easily to the public administration that is in the process of transformation. The audit universe also helps to better coordinate the individual organizational units in public administration and creates a space for the introduction of individual standards and audit approaches that increase their professionalism. Its practical contribution lies also in the strengthening of the prevention function of audit approaches, which facilitates the timely detection of potential problems and their solution before any damage is caused.

Further research and the development of the audit universe may focus on the development of the current methodology. One of the potential academic directions is the integration of advanced data analyses and artificial intelligence, which will enable the automation of risk identification. This approach may significantly contribute to the ability to predict problems and adapt audit approaches to the specific needs of public administration. Another possible direction is the broadening of the interdisciplinary approach to audit that will enrich the audit universe with findings from behavioral sciences, psychology, or environmental economics, which would enable a more comprehensive assessment of factors impacting the performance of public administration. Other directions include the development of the audit universe for the so-called continuous audits that would replace the traditional periodical audits and enable continuous monitoring of public administration. These directions suggest that the audit universe will play an irreplaceable role in the modernization of the entire public administration.

CONCLUSION

Based on the performed analytics it can be concluded that the current trends are transforming public administration towards digital, transparent, and participative models of administration that require tackling complex risks linked to technological, economic, social, and environmental threats. The implementation of technologies such as AI enables more efficient management of public administration and a shift towards a proactive approach that includes risk prediction and mitigation. Advanced methods of risk management and modern audits, particularly the concept of the audit universe, play a key role in this transformation. This framework enables a systematic risk analysis based on data analytics, which contributes to the improvement of public policies and efficient use of resources. The paper highlights the importance of an advanced approach to risks, which includes identification, quantification, and categorization of risks into

critical, serious, medium, and moderate risks. The methodology includes selected techniques, such as the Delphi method, the results of which may be visualized as heat maps of risks. The practical application can be demonstrated in the analysis of audit conclusions of a selected SAI, the results of which identified key risks of public administration and defined the potential areas for audit. The resulting audit universe presents risk areas that can be audited (Q1). At the same time, it helps determine the granularity of the audit, i.e. the detail in which the processes in public administration should be audited (Q2). Finally, it specifies what should be audited by audit diagnostics that presents sets of risk subprocesses (Q2). This approach optimizes audit processes and at the same time increases transparency, efficiency, and responsibility of public administration towards the public. The resulting audit universe framework presents a fundamental tool for modern risk management and supports strategic decision-making in public administration

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VÁCLAV VYBÍHAL¹

THE TAX SYSTEM OF SLOVAKIA IN THE CONTEXT OF 30 YEARS OF ITS EXISTENCE

Abstract

This paper examines the evaluation of Slovakia's tax system over the 30 years since its inception in 1993, both from the perspective of meeting the criteria and postulates derived from tax theory and through a comparison of the operating mechanisms and tax rates for individual taxes in Slovakia with those in the most developed countries of the European Union and the USA. It also comments on the gradual changes in the tax system that occurred during the observed period. Special attention is given to issues related to meeting the requirements formulated in tax theory for a tax system, especially those requirements focused on tax fairness and efficiency in taxation. In this regard, the question arises as to why the ability-to-pay principle is not consistently applied within the Slovak tax system, unlike in the most developed EU countries and the USA. An integral part of the paper is comparing taxation regimes and applying tax rates, especially for value-added tax, excise duties, and taxes on the income of individuals and legal persons. The author also justifies why it is not appropriate to increase the tax burden on property taxes under the conditions of the Slovak tax system.

Key words: tax system, Slovakia, 30 years of existence

1 INTRODUCTION

The significant anniversary of the introduction of the Slovak tax system leads to reflection on its genesis over the 30 years of its existence and to the comparison of the operating mechanism and tax rates with those of the most economically developed countries of the European Union.

The creation of the Slovak tax system on 1 January 1993 was associated not only with the creation of a new state but primarily with the fulfillment of a strategy for radical economic reform ensuring the transition of Slovakia's

¹ Department of Political Sciences and Public Administration, Faculty of Social Sciences, University of Ss. Cyril and Methodius in Trnava, Bučianska 4/A, 917 01 Trnava, Slovakia, vaclav.vybihal@ucm.sk, ORCID iD: <https://orcid.org/0000-0002-4498-5134>.

national economy to a market-oriented economy. This tax system, compared to previous tax systems, brought significant changes in the tax structure, in defining the tax base, in tax rates, in the circle of taxpayers and taxable persons, in the area of tax exemptions, in the non-taxable portions of the tax base, and tax deductions.

The tax system included not only income taxes for individuals and legal persons but also a completely new indirect value-added tax (VAT), whose operation mechanism was designed in France and applied across the European Union, excise duties with elements of harmonization within the EU, and a system of local taxes, among which property tax played the most significant role in terms of revenue. Slovakia also made itself known by legislating a tax on nuclear facilities as part of local taxes.

Individual tax laws and a wide range of other legal norms form the legal foundation of the new tax system, which has indelibly entered the awareness of taxpayers, taxable persons, tax administrators, and the general public.

From the perspective of budgetary policy goals, it was important to ensure a flexible linkage between state budget revenues and expenditures with the dynamics of the gross domestic product, with the strategic goal of the tax system being the gradual reduction of the tax-to-GDP ratio to a level common in market economy countries.

This goal was achieved, even exceeded, over 30 years. Rates of income tax for individuals and legal persons were reduced, inheritance and gift taxes were abolished, and the tax-to-GDP ratio was gradually reduced to the lowest level within the European Union. This resulted in problems in the balance of the state budget, with an increasing debt burden, and limited redistributive function of the state budget resulting in low pensions and social inequalities. Slovakia became the country within the European Union with the highest rate of value-added tax on food, undoubtedly contributing to a decrease in the standard of living of its inhabitants.

The Slovak tax system could be described as a modern and functional set of direct and indirect taxes, largely conforming to the function of the market mechanism and to some extent compatible with the economic and tax systems of European Union countries, except for the misunderstanding of the basic principle of tax fairness, which significantly creates disparities between the Slovak tax system and the tax systems of advanced European Union countries.

1 REQUIREMENT PLACED ON THE TAX SYSTEM IN TAX THEORY

The tax system encompasses all taxes collected within a given (state) territory (i.e., tax jurisdiction). In developed market economies, there is a

significant emphasis on adhering to the requirements that tax theory places on a modern tax system.

While there may not be an ideal and universally accepted model of a tax system, there are certain requirements or principles that the tax system of an economically developed country should possess.

The tax system has evolved under the influence of various factors, especially economic, political, and social ones. Experts around the world agree that what makes a tax system good is of great importance. Economists and social philosophers, since the time of Adam Smith, have proposed what these requirements should be. Smith (1766) described four basic characteristics (under the term tax canons) that a tax system should have and meet. These are fairness, certainty, convenience of payment, and efficiency in the administrative costs of taxation. It can be stated that today's, or modern, tax science builds on these canons.

Musgrave and Musgrave (1991) emphasize that tax revenues must be sufficient within public budget revenues, the distribution of tax burden should be even with an emphasis on the ability-to-pay principle, taxes should be collected in a way that minimizes interference with economic decisions on otherwise efficient markets. The tax system should be simple and understandable, efficient (thus administrative costs should be as low as possible). These authors also highlight the issue of tax incidence about the requirements placed on the tax system.

Stiglitz (1997) mentions that the general criteria for an optimal tax system should include economic efficiency resource allocation efficiency, administrative simplicity, flexibility in the form of rapid response to economic condition changes, political transparency, and fairness (in taxing different population groups with different income levels).

James and Nobes (2002) consider efficiency, motivation, fairness, and macroeconomic flexibility as the fundamental principles of a tax system.

Lipsey, Steiner, Purvis, and Courant (1990) stress that evaluating a tax system requires considering two aspects of taxation: fairness and efficiency. Fairness is evaluated through the ability-to-pay principle and the benefit principle.

In Slovakia, the issue of taxation principles within public finance is addressed by authors Medved', Nemeč, Orviská, Zimková, E. (2005), who analyze taxation principles, especially administrative simplicity, flexibility, political transparency, fairness, and efficiency. They emphasize that the size of administrative costs of taxation is influenced by numerous factors. When evaluating tax flexibility, changes in socio-economic and political conditions must trigger changes in tax rates. In this respect, the speed of response is also important. Considering the demands for fairness and efficiency, it is not possible

to achieve a Pareto optimal state in the economy while simultaneously increasing fairness and efficiency to the same extent.

The issue of tax principles and norms is also addressed by Schultzová (2011). The author presents, in particular, the principle of tax affordability, tax fairness, tax legality, and the stimulative principle of taxes. These characteristics should be present in a modern tax system. Tax affordability is examined from various aspects, especially defining general, specific, personal, and territorial affordability. In the case of tax fairness, the principle of fairness is combined with monitoring the tax burden with an emphasis on the benefit principle and the ability-to-pay principle. The principle of legality, also referred to as the principle of legal perfection, cannot be understood solely as the legal regulation of the tax system but should also take into account the stability of tax laws and their application in tax practice. According to the cited author, the stimulative principle of taxes means that the tax system must contain enough elements to stimulate entrepreneurial activities and work efforts. Applying tax principles also involves assessing the degree of tax burden on entities.

Zubařová (2008) deals with fairness in taxation and its place in the process of distribution and redistribution, and further with the principles of fair taxation. She states that fairness is fundamentally a philosophical and ethical category, but emphasizes that a tax system can be considered fair if it is based on observable, detectable, and measurable indicators. The author thoroughly examines the redistribution of created value and its impact on fairness in taxation. She considers the benefit principle, due to the existence of the public sector, to be outdated, unlike the ability-to-pay principle, which she does not consider outdated. The benefit principle cannot be practically used for several reasons. The author is correct in stating that, from an economic perspective, utility can never be measured between individuals because each utility is subjective, immeasurable, and scientifically incomparable. Based on this statement about its characteristics, there is no way to distribute taxes according to this principle. From the perspective of the ability-to-pay principle, the author emphasizes that tax should be imposed based on what tax burden the individual can bear. In the context of the Czech Republic, the issue of requirements placed on the tax system and tax principles is also addressed by several authors.

Hamerníková et al. (1996) state that tax principles are a requirement for the tax system as a whole because the fiscal instrument is the entire tax system, not just one or several taxes within the system. The principle of fairness is considered the optimal and desirable requirement for creating an optimal tax system. However, defining the criterion of fairness is a problem. The benefit principle, based on the attribute of contributing in taxes an amount equal to the benefit the individual receives from public goods, is not technically or economically applicable in practice. The main basis for modern tax systems

today, according to the cited authors, is the ability-to-pay principle in the form of vertical and horizontal tax fairness; it is also necessary to resolve what should be the optimal course and level of tax rates, where the marginal tax rate should end, and how much more one taxpayer should pay compared to another. Other requirements for the tax systems of European Union countries considered by the authors include efficiency, correctness, administrative feasibility, and tax certainty.

Kubátová (2015) states that since the time of Adam Smith, not much has changed in the requirements for a good tax system. The basic requirements expressed in the famous tax canons (fairness, efficiency, legal perfection, transparency) are still recognized today, and current authors differ more in the elaboration of details. The author then presents five criteria for “good taxes”, namely efficiency, positive influence on the behavior of economic subjects, fairness, correct impact on macroeconomic aggregates (flexibility), and legal perfection including political transparency.

Široký et al. (2008) state that the notable ancient Greek thinker Aristotle around 300 BC dealt with tax issues, particularly the question of tax fairness and the size of the tax burden on the taxpayer, and preferred taxes imposed according to the ability-to-pay of citizens. The authors further comment on the development of views on the issue of tax principles from the time of Thomas Aquinas to the present. About current tax science, the authors thoroughly explicate the principle of fairness, the principle of efficiency, and the principle of administrative simplicity dependent on political transparency.

Tax theory considers a good tax system to respect certain tax principles, as stated by Peková (2011). According to the cited author, taxes should be fair and correct, thus respecting the taxpayer’s ability to pay the tax and respecting the utility from taxation about the consumption of public goods. Furthermore, the tax system should be efficient in a way that taxes do not cause significant distortions in prices and utility and with the lowest possible costs for tax collection and administration. Taxes should be legally perfect and transparent with a certain tax certainty, implying that tax laws should last for a longer time. It appears that among all authors favoring requirements placed on the tax system, tax fairness and efficiency in taxation are decisive. This is because they can be more precisely identified, defined, or even measured. Other principles are very important too, but based on intuition or other considerations, we can infer to what extent they function and how the given requirement for a good or optimal tax system is fulfilled in tax practice. There are publications in the literature that focus, on the one hand, perhaps on one of the requirements placed on the tax system, but in great detail leading to practical measurement. Among them, for example, is a publication in which authors Pudil, Vybíhal, Vítek, and Pavel (2004) deal with the issue of taxation about efficiency. According to the authors,

efficiency in taxation can be measured by the level of administrative costs of taxation. The lower these costs, the higher the efficiency in taxation.

According to the cited authors, administrative costs of taxation are de facto costs associated with the collection, management, and control of taxes, thus the costs of the tax system. Costs borne by the public sector are referred to as direct administrative costs, and costs borne by the private sector as indirect administrative costs (in the literature, quite frequently referred to as induced costs of taxation). Administrative costs of taxation can be measured from various perspectives, for example, from a time perspective, from the perspective of impact on the respective economic sector, from the perspective of impact on the respective government level, and from the perspective of the structure of administrative costs of taxation.

Administrative costs of taxation were also measured in the Slovak and Czech Republics. The methodology for measuring administrative costs of taxation is detailed in the already-cited publication by authors Pudil, Vybíhal, Vítek, and Pavel (2004). The results of measuring direct administrative costs of taxation were found by the cited authors in the years 2001 to 2003 on average at the level of 1.29 to 1.43 (the indicator expresses the volume of direct administrative costs per unit of tax revenue). Specific taxes of the tax system, however, differ quite significantly, with the highest costs in 2003 being for the then inheritance tax (165.83) and gift tax (36.62) and for the property tax (0.32), the lowest then for excise taxes (0.33) and for the corporate income tax (0.67). In the case of compliance costs of taxation, these amounted to 5.30% for corporate income taxpayers in 2003, 6.11% for value-added tax, 1.22% for personal income tax, etc.

In the Czech Republic, the methodological aspects of measuring administrative costs of taxation were also thoroughly addressed by Vítková (2002). According to the author, the share of direct administrative costs per unit of tax revenue ranged from 1.51% (1993) to 3.47% (2000) and had a continuously increasing trend in the given time series. When separated by individual taxes, the lowest level of these costs was found for excise taxes (0.54%), corporate income tax (0.93%), value-added tax (0.98%), personal income tax (1.43%), the highest level than for inheritance tax (81.52%), gift tax (48.16%), and property tax (15.93%).

The issue of measuring compliance costs of taxation from both a methodological and practical perspective in the environment of 142 enterprises (legal entities) was addressed by Vybíhal (2004). The lowest level of compliance costs of taxation was found in industrial enterprises (with the size of the enterprise, the efficiency in taxation increased, i.e., compliance costs of taxation decreased), a higher level of induced costs of taxation was found in construction (Vybíhal, 2005) and agriculture (Vybíhal, 2006). In the Slovak Republic, direct

administrative costs of taxation were measured by Pompura (2012) and indirect (compliance) costs by Čižmárik (2012).

Pompura (2012) measured the administrative costs of tax administration in the Slovak Republic from 2004 to 2010. During this period, the share of administrative costs about tax revenue ranged from 1.61% to 3.01% and had a slightly decreasing tendency. Significant differences in this indicator were found by the author for individual taxes and also when examining administrative costs of taxation according to individual tax offices. When comparing the level of administrative costs per unit of tax revenue within the EU and OECD, Slovakia belongs to the countries with an above-average level of these costs (only Cyprus and Bulgaria have a higher level of this indicator within Europe).

Čižmárik (2012) dealt with the issue of measuring indirect administrative costs of taxation (compliance costs). In his work, he mainly analyses and comments on the results of research in this area on a global scale. The author also proposed a methodology for researching compliance costs of taxation for the Slovak Republic. To verify it, he used a questionnaire survey and estimated the level of compliance costs of taxation for income tax and value-added tax.

2 THE SLOVAK TAX SYSTEM IN THE CONTEXT OF THE ABILITY-TO-PAY PRINCIPLE

In our opinion, every modern tax system should meet the following requirements:

- Tax fairness;
- Tax efficiency;
- Legal level (quality, perfection);
- Simplicity and comprehensibility;
- Flexibility;
- Proper influencing of the behavior of economic subjects.

Special attention needs to be paid to tax fairness (see further text). Tax efficiency, among other things, primarily means that the administrative costs of taxation should be as low as possible. This issue is addressed by numerous prominent experts worldwide with quite frequent publication activity. In Slovakia, direct administrative costs are above the average of European Union countries, meaning that despite the below-average level of public sector wages in Slovakia, there is an above-standard number of employees at the Slovak tax offices. The level of these costs may also be related to the organization of collection, administration, and control of taxes.

The requirement in terms of legal level with an emphasis on quality, perfection, as well as simplicity, and comprehensibility is an essential

prerequisite for proper and effective tax collection. Fulfilling these requirements cannot be precisely measured, but certain indications allow us to infer the level of fulfillment of these requirements.

Flexibility is more of a pious wish, as political representations do not react to the economic development of the state within tax policy either at all or very belatedly. Just as significant world experts (e.g., Hansen, 1964) point out that the state budget should be balanced within one economic cycle, tax policy should adapt to the respective phase of the economic cycle in which it currently finds itself. A similar flexible response of tax policy should occur in periods of unbalanced development of the national economy for extraordinary reasons (e.g., pandemics, war, high inflation, etc.).

The requirement for the proper influencing of the behavior of economic entities primarily means supporting entrepreneurial activities, preferring investment over consumption, and supporting economic activities more friendly to the environment. Every government of an advanced economy must also be able to estimate how economic entities, especially companies and households, will behave after a change in tax rates. In connection with the theoretical conception of tax fairness, as already mentioned, two principles are applied, namely the benefit principle and the ability-to-pay principle.

The benefit principle means that taxes should be paid by those who benefit from public services (e.g., road tax by motor vehicle operators). However, this principle cannot be fully implemented in tax practice, neither technically nor economically, only partially from a fiscal perspective. Individual benefit cannot be precisely measured, it changes throughout an individual's life, and it differs also in terms of the perception of a given matter from the perspective of certain types of public expenditures. It must be taken into account that tax is a legally mandated payment.

The main principle for the modern understanding of tax fairness is the ability-to-pay principle, which implies that every taxpayer should pay tax according to their ability to pay, i.e., their capacity to bear the tax. This principle is adhered to by the vast majority of renowned economists in the world, especially because it fully ensures the redistributive function of taxes and public finance as a whole.

In tax theory, tax fairness is described as horizontal and vertical. Horizontal fairness means that taxpayers with the same ability to pay should pay the same amount of tax. Concerning the trajectory of searching for a criterion, the tax practice is oriented towards finding a criterion for individual objects of taxation. In terms of vertical fairness, a taxpayer with greater ability to pay should pay more (or substantially more) taxes. Progressively structured tax ensures the requirement that taxpayers with a higher ability to pay a higher tax or a higher tax rate is set for them. In this case, the question arises as to how

much more one taxpayer should pay compared to another or at what level the marginal tax rate should end. In this context, it is worth recalling the statement by Samuelson and Nordhaus (1989), who, after successfully explaining vertical fairness, state that they cannot imagine that this principle would ever be overlooked in the USA. To fulfill this principle in advanced economies around the world, progressive taxation of incomes has been legislated. All advanced states in Europe, the USA, Australia, and other countries apply progressive taxation for personal income tax, and in some countries, progressive taxation is also applied to corporate income tax about turnover. However, the level of the marginal rate varies also according to different fiscal requirements and political orientations or populism. There are several marginal tax rates or tax brackets (usually 3 to 7). In several countries, in connection with progressive taxation, non-taxable minimums (France, Germany,) or even family coefficients (France) have been introduced.

In Slovakia, the issue of the ability-to-pay principle is not perceived by political representation. Horizontal fairness is observed, as taxpayers with the same ability to pay generally pay the same amount of taxes, but only for income taxes. For local taxes, especially property taxes, this is not the case. These facts also lead to Slovakia belonging to the countries in the European Union with the lowest level of both simple and compound tax-to-GDP ratios. This situation has negative impacts on the state budget and public finances, leading to the formation of low pensions (retirement income) and unnecessary indebtedness in the country. Above-standard incomes of politicians, additionally taxed at a low tax rate (19% or 25%), are an economic and social advantage for them, but not for the majority of the inhabitants of this European Union country. Social welfare is measured not only by the utility of politicians but primarily by the citizens.

3 THE SLOVAK TAX SYSTEM IN THE CONTEXT OF EU TAX HARMONISATION

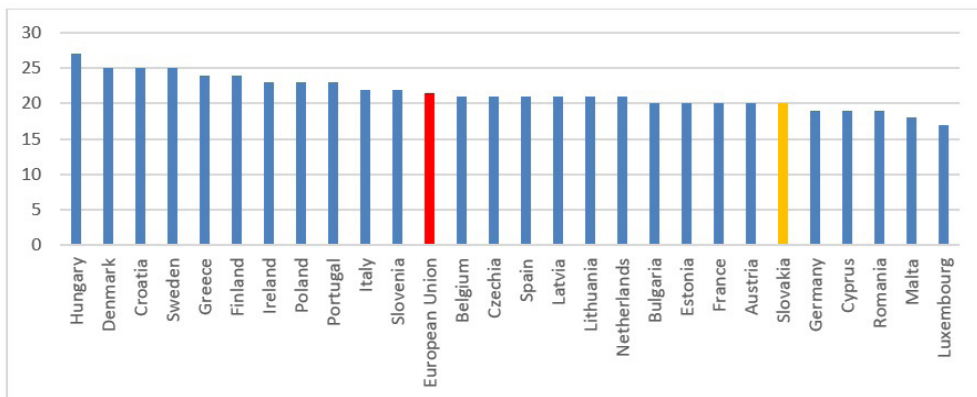
In the spirit of cooperation and integration, the idea of tax harmonization began to resonate within the European Community for easier functioning of the internal market. The original ambitions in this direction were quite large, but eventually, there was a move towards partial harmonization. The first significant step towards tax harmonization was the introduction of the value-added tax system (from 1 January 1973, the system of value-added tax is mandatory for all member states). It is important for the business environment that a uniform tax base for calculating value-added tax is applied in all member states, a comparable mechanism for the operation of this tax is established, and except for minor details, individual member states differ in tax rates, with the European

Union setting minimum tax rates binding for all European Union states, namely 15% for the so-called standard tax rate and 5% for the so-called reduced tax rate.

In terms of tax rates within the European Union, more of an approximation than harmonization of tax rates has been achieved. The standard tax rate ranges from 17% to 27%, averaging 21.5%, thus all member states comply with the established minimum, as does Slovakia (20%), as is evident from Graph 1. Since 2017, the level of standard tax rates in European Union countries has been relatively stabilized.

With reduced rates of value-added tax, the situation is somewhat complicated. Many EU countries still have an exception and did not reach the set minimum level of 5%, such as France, Ireland, Italy, Luxembourg, Spain (before leaving the European Union, also the United Kingdom), and currently Poland, albeit temporarily. Slovakia had a reduced tax rate of 20% for many years, currently, a 10% tax rate roughly corresponds to the European Union average.

Graph 1. Standard tax rate VAT in European Union countries in 2022 (in %)



Source: European Commission (2023).

Table 1. Reduced and Superior Reduced Tax Rates VAT of EU member states in 2022 (%)

Member states EU	Superior Reduced Tax Rates VAT [%]	Reduced Tax Rates VAT [%]	Member states EU	Superior Reduced Tax Rates VAT [%]	Reduced Tax Rates VAT [%]
Austria		10 / 13	Italy	4	5 / 10
Belgium		6 / 12	Latvia		5 / 12
Bulgaria		9	Lithuania		5 / 9
Croatia		5 / 13	Luxembourg	3	8
Cyprus		5 / 9	Malta		5 / 7
Czechia		10 / 15	Netherlands		9
Denmark		0	Poland		5 / 8
Estonia		9	Portugal		6 / 13
Finland		10 / 14	Romania		5 / 9
France	2,1	5,5 / 10	Slovakia		10
Germany		7	Slovenia		5 / 9,5
Greece		6 / 13	Spain	4	10
Hungary		5 / 18	Sweden		6 / 12
Ireland	4,8	9 / 13,5			

Source: European Commission (2023).

From a semantic point of view, tax harmonization involves the approximation and alignment of tax systems and individual taxes based on compliance with common rules and principles. To achieve goals in the tax area, the European Union has instruments, where the basic instrument is legislation. It mainly includes primary law (founding treaties, accession treaties, amending treaties, protocols to treaties, and supplementary agreements), secondary law (regulations, directives, decisions, recommendations, and opinions), and supplementary sources (general principles of law and case law).

Besides the harmonization of value-added tax, the European Union has also introduced the harmonization of excise duties, where these taxes are mandatorily imposed on selected products, namely mineral oils (e.g., petrol, diesel), alcohol (ethanol), beer, wine, and tobacco products. For the cited products, minimum tax rates are set, which Slovakia currently respects.

Within the European Union, the tax-to-GDP ratio indicator is often monitored. The tax-to-GDP ratio represents the ratio of tax revenue to gross domestic product at current prices. Besides this simple tax-to-GDP ratio, the European Union statistics (Eurostat) and OECD countries apply the compound and consolidated tax-to-GDP ratio. The simple tax-to-GDP ratio includes only taxes in the legal sense in the numerator (excluding fees, customs, and social

insurance contributions), whereas the compound tax-to-GDP ratio includes fees, customs, and insurance contributions in the calculation methodology. In the area of research and more detailed comparative analyses, the consolidated tax-to-GDP ratio is used to prevent the double counting of revenues (social insurance contributions of public sector employees, contributions to public health insurance).

Picture 1. The calculation of the simple tax-to-GDP ratio is as follows

$$sQ_T = \frac{Y_T}{GDP} \times 100 \text{ [%]}$$

SQT is a simple tax-to-GDP ratio;

YT is the yield from taxes total;

GDP is Gross Domestic Product.

Picture 2. The calculation of the compound tax-to-GDP ratio is as follows

$$kQ_T = \frac{Y_T + IS + C + D}{GDP} \times 100 \text{ [%]}$$

KQT is the compound tax-to-GDP ratio;

YT is the yield from taxes total;

IS is social and health insurance;

C is charged;

D is duty;

GDP is Gross Domestic Product.

Picture 3. The calculation of the consolidated tax-to-GDP ratio is as follows

$$cQ_T = \frac{Y_T + IS + C + D - S}{GDP} \times 100 \text{ [%]}$$

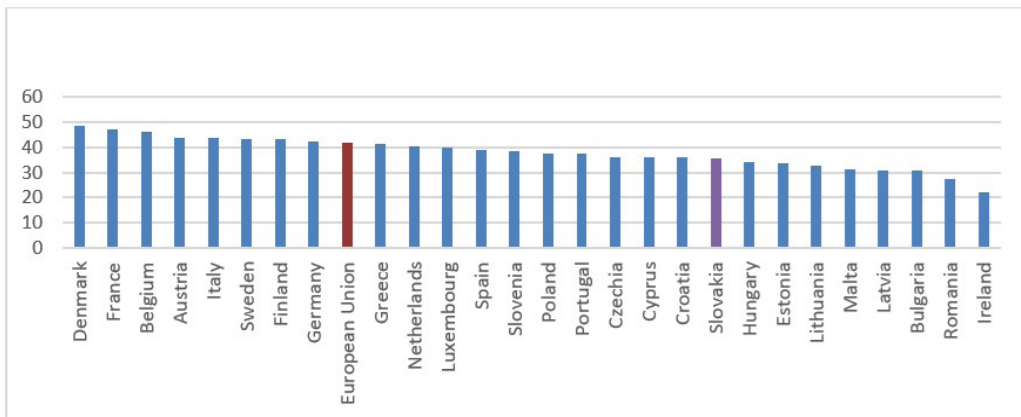
CQT is the consolidated tax-to-GDP ratio;

YT is the yield from taxes total;
 IS is social and health insurance;
 C is charged;
 D is duty;
 S is the social insurance of the employees of the public sector.

Slovakia, in terms of the tax-to-GDP ratio, belongs to the countries with the lowest level of this indicator, and a few years ago, it even had the lowest tax-to-GDP ratio (29.5%). This means that only 35.5% of tax revenue including social and health insurance, fees, and customs is collected per unit of gross domestic product. The average level of this indicator was 41.6% within European Union countries, with countries like Denmark, France, Belgium, and Austria approaching the 50% mark. It is interesting that countries with a high level of GNP per capita also have a high tax-to-GDP ratio, leading to significantly more social security in those countries than in Slovakia.

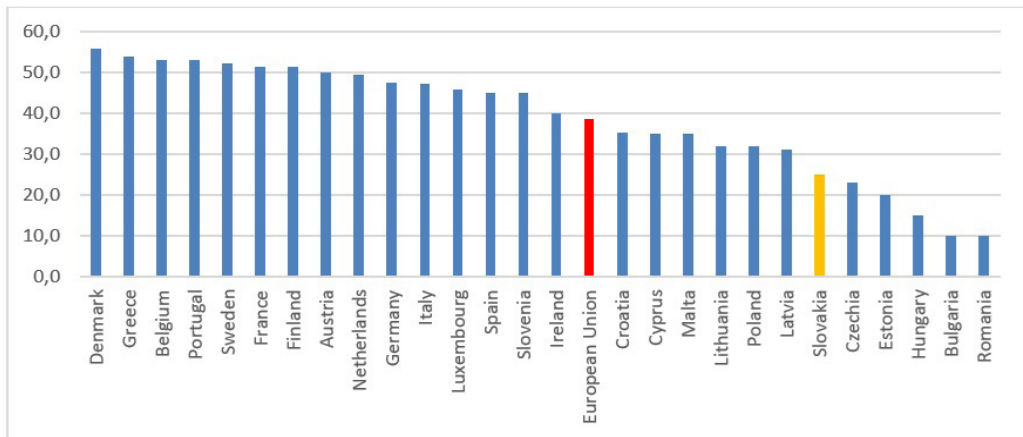
The overall picture of the issue of forming the tax-to-GDP ratio can be explained based on the highest statutory rates of income tax for individuals and corporate income tax.

Graph 2. Compound tax-to-GDP ratio of European Union countries for the year 2021



Source: Eurostat (2023).

Graph 3. Highest statutory income tax rates in European Union countries in 2022

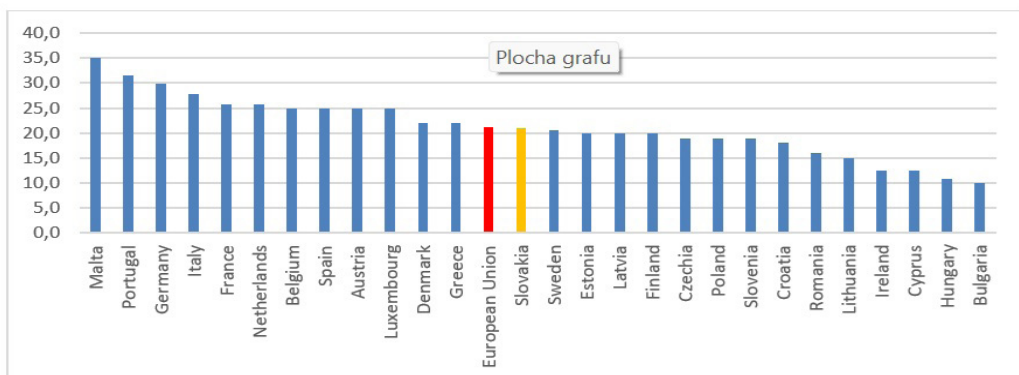


Source: European Commission (2023).

From Graph 3, it is evident that the highest rates of personal income tax exceeded even 50% (Denmark, Greece, Belgium, Portugal, Sweden, France, Finland) with an average in the EU of 38.7%, with Slovakia ranking among the countries with the lowest maximum tax burden (25%). This situation is the result of applying or not applying progressive taxation and the degree of recognition of the ability-to-pay principle by political representations.

Significant differences in the tax burden also exist among European Union countries for corporate income tax. Statutory tax rates for corporate income tax within European Union countries range from 10% to 35% with an average level of 21.2%, which Slovakia also achieves.

Graph 4. Highest statutory corporate income tax rates in European Union countries in 2022



Source: European Commission (2023).

It would be worth considering applying progressive taxation (also in Slovakia) in this tax, as it has proven effective in several countries (for example, France and the USA). The harmonization of income taxes within the European Union has not progressed significantly. The main obstacle to the harmonization of these taxes is the different accounting concepts of the tax base, with countries applying the so-called Bismarck accounting system (Germany, Austria, Hungary, Denmark) differing from other European Union countries in that the de facto accounting economic result only slightly differs from the income tax base, whereas within the so-called Napoleonic accounting system applied in the decisive part of European Union countries, it is necessary to transform the accounting result of operations into the tax base through procedures that are not accounted for but are specified in the relevant tax laws. Additionally, the system of items increasing and decreasing the tax base is significantly different in individual countries. Even with the same tax rate, the effective tax burden on companies in European Union countries can be different (Lacková, 2014). The comparison of the statutory and effective tax rates for corporate income tax is presented in Table 2. From the data in Table 2, it emerges that most countries have an effective tax rate lower than the nominal (statutory) one, with Slovakia being at the average level of the European Union. In terms of dynamics, a generally decreasing trend in corporate income tax rates can be observed.

Table 2. The comparison of the statutory (nominal) and Effective Tax rate for Corporate Income Tax in 2022

EU	Nominal Tax Rate [%]	Effective Tax Rate [%]	Difference	EU	Nominal Tax Rate [%]	Effective Tax Rate [%]	Difference
Malta	35.00	23.30	-11.70	Sweden	20.60	18.70	-1.90
Portugal	31.50	21.40	-10.10	Belgium	25.00	23.10	-1.90
Estonia	20.00	10.20	-9.80	Austria	25.00	23.10	-1.90
Italy	27.81	23.90	-3.91	Slovenia	19.00	17.30	-1.70
Latvia	20.00	16.70	-3.30	Romania	16.00	14.70	-1.30
Croatia	18.00	14.80	-3.20	Germany	29.80	28.80	-1.00
Luxembourg	24.94	21.80	-3.14	Bulgaria	10.00	9.00	-1.00
Finland	19.00	15.90	-3.10	Greece	22.00	21.10	-0.90
Netherlands	25.80	23.20	-2.60	Finland	20.00	19.60	-0.40
European Union	21.22	18.83	-2.40	France	25.80	26.00	0.20
Slovakia	21.00	18.70	-2.30	Hungary	10.80	11.10	0.30
Lithuania	15.00	12.70	-2.30	Cyprus	12.50	13.30	0.80
Denmark	22.00	19.80	-2.20	Ireland	12.50	14.10	1.60
Czechia	19.00	17.00	-2.00	Spain	25.00	29.00	4.00

Source: European Commission (2023).

4 CONCLUSIONS AND DISCUSSION: POSSIBLE FRAGMENTS OF THE TRAJECTORY FOR ALIGNING SLOVAKIA'S TAX SYSTEM WITH THE TAX SYSTEMS OF DEVELOPED COUNTRIES

Tax harmonization within the European Union has its limits. It can be positively assessed that in the area of indirect taxes, successfully managed elements of harmonization in the form of unification of the operating mechanism setting minimum tax rates for value-added tax and identifying products including setting minimum tax rates for excise duties have been achieved.

However, it is necessary to point out the fact that disparities between the rates of individual taxes between rates codified in the Slovak tax system and rates established in economically more advanced European Union states are alarming. Therefore, it is necessary to contemplate this issue and point out potential changes in tax rates that could bring at least partial convergence of tax systems and simultaneously reduce the unprecedented level of annual state budget deficit and overall indebtedness of Slovakia.

It can be stated that the system of local taxes, where the decisive income comes from property taxes, appears relatively stabilized. In this regard, significant changes in tax rates should not be carried out, especially regarding the ability-to-pay principle, whose observance cannot lead to an increase in the tax burden considering the low size of incomes and pensions of Slovak citizens compared to developed states. Property tax income is not even a decisive income for a municipality, as it only constitutes approximately 11% of the total municipal budget revenue on average. However, in the area of local taxes, it would be necessary to legislatively set a minimum level of dog tax and increase the current level of this tax, as unlike properties used for housing or personal needs, in the case of dogs, this is a superfluous need.

A special group of taxes are transfer taxes, where the transfer of property to another entity due to inheritance, donation, or transfer or sale of real estate is taxed. In developed European Union countries, progressive taxation with the highest marginal rates of 40% to 60% is applied for inheritance and gift taxes, in the USA 40%, for the tax on the sale of real estate with a single rate of 1% to 5%. Certainly, it would be worth considering approaching the Western European model also in this respect, but with an exemption for ordinary property used for housing or personal needs, roughly up to EUR 500,000.

In the case of personal income tax, I would suggest introducing a sliding progressive scale, which adorns the tax systems of all developed states in Europe (and the rest of the world). The current taxation suits primarily politicians in Slovakia, who have legislated such taxation of incomes to ensure high net incomes from high incomes taxed at low tax rates.

Considering the possibilities of approaching models and rates of taxation

of personal incomes, the sliding progressive taxation scale could look, for example, as follows.

Table 3a. Proposal for a sliding progressive scale of personal income tax (months)

From the tax base from EUR to EUR	Tax
0 1 200	15 %
1 201 2 400	180 EUR + 20 % of the tax base exceeding 1 200 EUR
2 401 3 600	520 EUR + 25 % of the tax base exceeding 2 400 EUR
3 601 4 800	1 020 EUR + 30 % of the tax base exceeding 3 600 EUR
4 801 6 000	1 520 EUR + 35 % of the tax base exceeding 4 800 EUR
6 001 and more	40%

Source: Author's construction.

Table 3b. Proposal for a sliding progressive scale of personal income tax (year)

From the tax base from EUR to EUR	Tax
0 14 400	15%
14 401 28 800	2 160 EUR + 20 % of the tax base exceeding 14 400 EUR
28 801 43 200	6 240 EUR + 25 % of the tax base exceeding 28 800 EUR
43 201 57 600	12 240 EUR + 30 % of the tax base exceeding 43 200 EUR
57 601 72 000	18 240 EUR + 35 % of the tax base exceeding 57 600 EUR
72 001 and more	40%

Source: Author's construction.

In conclusion, it must be stated that tax policy plays a significant role in the process of European unification. Approaching, at least partially, the systems of the most developed countries in the European Union, especially in the area of income tax rates and indirect taxes, would contribute to strengthening European solidarity, bringing favorable impacts on Slovakia's public finances including their functions, strengthening the tax-to-GDP ratio, and also the social area. It is clear that this path is not easy, but it is promising.

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LIBOR STRÁNÍK¹

PROVISION OF SOCIAL SERVICES ON THE PLATFORM OF INTER-MUNICIPAL COOPERATION IN THE CZECH REPUBLIC: CASE STUDY²

Abstract

The main objective of this paper is to evaluate the potential of inter-municipal cooperation for the provision of social services. It seeks to answer whether inter-municipal cooperation is an appropriate form of social service provision and whether the concept of integrated care is an appropriate framework for social service provision. A qualitative research strategy is employed. It is dominated by a case study, which in part underpins the findings and opinions presented in this paper. The object of the case study research is an organization providing social services and health services in the Czech Republic in their interconnection and continuity. The analyses and findings of this paper follow the case study. In the Czech Republic, 19.1% of the total number of registered social services are provided directly by municipal contributory organizations established by them. The share of resources decided by municipalities in their independent competence from those not under direct decision-making by central authorities is 31.7%. The legal conditions for inter-municipal cooperation in the Czech Republic allow for the delegation of elements of municipal autonomy to municipal associations. The results presented in this paper show that inter-municipal cooperation is a possible and appropriate form of social service provision and that linking social services provided on the platform of inter-municipal cooperation and the concept of integrated care, specifically in the model of Integrated Community Care, is mutually beneficial and productive.

Key words: Social services, inter-municipal cooperation, voluntary association of municipalities, case study, integrated care

1 The Centre of Expertise in Longevity and Long-Term Care at the Faculty of Humanities, Charles University; Pátkova 2137/5, 182 00 Praha 8 – Libeň; e-mailová adresa: l.stranik@tiscali.cz; Tel.: +420 607 518 254. ORCID iD: <https://orcid.org/0000-0003-1115-1851>

2 The paper was written as an extension of a case study conducted within the activities of the Centre of Expertise in Longevity and Long-Term Care at the Faculty of Humanities, Charles University

1 INTRODUCTION

This paper aims to evaluate the potential of inter-municipal cooperation for the provision of social services. It seeks to answer whether inter-municipal cooperation is an appropriate form of social service provision and whether the concept of integrated care is a suitable framework for social service provision. It uses material and findings from the case study, findings and analysis outside the case study, and related expert opinions to meet the objective and answer the questions.

The object of the research carried out by the case study, on which this paper is partly based, is a voluntary association of municipalities providing social services together with health services in their interconnection and continuity in the Czech Republic. This allows the paper to focus not only on inter-municipal cooperation in the provision of social services but also on the possibilities that inter-municipal cooperation implies concerning the concept of integrated care linking health and social care.

In the first part of the paper, the position of municipalities and regions within the system of social services provision in the Czech Republic is depicted and the position of inter-municipal cooperation in it is identified. In the second part, the possibilities of inter-municipal cooperation as a form of the provision of social services in the Czech Republic are described. The third part is devoted to the case study, which in its part is the basis for the findings and opinions presented in this paper. The last part assesses the potential of interconnecting social services provided on the platform of inter-municipal cooperation and the concept of integrated care.

This paper complements and extends the case study conducted within the activities of the Centre for the Study of Longevity and Long-Term Care at the Faculty of Humanities, Charles University in Prague with the kind permission of its authors.

1 THE POSITION OF MUNICIPALITIES AND REGIONS WITHIN THE SYSTEM OF SOCIAL SERVICES PROVISION IN THE CZECH REPUBLIC

Cooperation between municipalities in the provision of social services should first be placed in the context of the position of municipalities and regions themselves within the system of social service provision in the Czech Republic. Although the topic of this paper is cooperation between municipalities in the provision of social services, without capturing the position of regions in the system of social service provision, the view needed for the subsequent work would be incomplete.

It should be noted that this paper looks at municipalities and regions within the system of social service provision in the Czech Republic only from the position of their self-governing activities, i.e. their independent competence. The exercise of state administration, which takes place in the field of social services at the level of municipalities and regions, mainly through municipal authorities of municipalities with extended competence and regional authorities, is not included here.

1.1 Legislative regulation of the position of municipalities and regions within the system of social services provision in the Czech Republic

The position of municipalities and regions within the system of social services provision in the Czech Republic is regulated mainly by four basic legal norms. In the first place, we should mention Act No. 108/2006 Coll. "On Social Services" (Act No. 108/2006 Coll.), which regulates the entire area of social services as a special law. The general conditions for municipalities in the field of social care can be found in Act No. 128/2000 Coll. "Act on Municipalities (Municipal Establishment)" (Act No. 128/2000 Coll.). In the analogous Act No. 129/2000 Coll., "Act on Regions (Regional Establishment)" (Act No. 129/2000 Coll.), which applies to regions, there is no explicit mention of social care or even social services, but these are included in the general definitions of the regions' areas of competence.

The following overview compares the position of municipalities and regions in Act No. 108/2006 Coll. "On Social Services" (Act No. 108/2006 Coll.) through its provisions. Specifically, it concerns § 94 relating to municipalities and § 95 relating to regions.

The first three functions are identical for municipalities and regions. Municipalities and counties: Identify the needs for the provision of social services to people or groups of people in their territory. Ensure the availability of information on the possibilities and methods of providing social services in their territory. Co-operate with other municipalities, regions, and social service providers in assisting people or in facilitating contact between the provider and the person.

Other functions relate to the medium-term development plan for social services. The Region prepares this in cooperation with municipalities in the territory of the Region, representatives of social service providers, and representatives of persons receiving social services, and informs municipalities in the territory of the Region about the results of the planning process. The municipality may then prepare a medium-term plan for the development of social services. It does so in cooperation with the Region, social service providers in the territory of the municipality, and with the participation of people receiving

social services.

Other provisions of § 94 and § 95 of the Act define the roles of municipalities and regions in the preparation and implementation of the medium-term plan for the development of social services in the region, in determining the network of social services in the territory of the region and monitoring and evaluating the implementation of the plans for the development of social services. It provides for cooperation of actors, information communication, and participation of stakeholders.

This comparison shows the important role of cooperation between actors in the provision of social services, which is also reflected in the statutory conditions. Cooperation between municipalities has an important position here. Its formalization, structural, functional, and procedural anchoring in Act No. 108/2006 Coll. "On Social Services" (Act No. 108/2006 Coll.) is not given, but it would be appropriate for the fulfillment of its provisions.

1.2 Municipalities and regions in the structure of the social services delivery system and their financing

Two perspectives are used to capture the position of municipalities and regions in the structure of the social services delivery system and their financing. The first one divides registered social services according to the legal form of their provider and the second one tracks the shares of individual funding sources in the total costs of social services. Table 1 shows the number of registered social services by the legal form of their provider in 2019, the last year such a summary was published (MPSV, 2019).

Table 1. Several registered social services by legal form of organization

The legal form of organization	Number of registered social services
Churches and religious societies	1 052
General benefit Societies	1 041
Associations	802
Contributory organization of region	774
The contributory organization of a municipality	762
Institute	462
Municipality	320
A limited liability company	229
Branch associations	80
Joint stock company	76
Other legal forms	77
TOTAL	5 675

Source: MPSV, 2019.

5.6% of registered social services are provided directly by municipalities. If we add those provided by municipally established contributory organizations, this is 19.1% of the total number of registered social services. If we continue and add to them the contributory organizations established by the regions, we get a share of 32.7% of the total number of registered social services. This is roughly one-third of all social services where we can find the direct influence of the independent competence of municipalities and regions.

The voluntary association of municipalities, which is the object of research of the case study presented here, falls into the category of "Other legal forms in total (with less than 50 services per legal form)" having a share of 1.3% of the total number.

A second view of the position of municipalities and regions of their share in the financing of the total cost of social services. The shares of each funding source in the total cost of social services are shown in Table 2.

Table 2. Financing of social services by source

Form of subsidy	Share of total subsidies (%)
MPSV subsidies for social services	33,7
Contribution to care	19,4
User payments	18,9
Regional contributions and subsidies	9,6
Contributions and subsidies from municipalities	7,3
Health insurance	5,0
European subsidies	2,5
TOTAL	100

Source: MPSV, 2019.

Municipalities and regions contribute 16.9 % of the financing of social services through their contributions and subsidies. Even this share can be said to be directly influenced by the autonomous competence of municipalities and regions.

From the shares shown in Table 2, we can also abstract the weight that decision-making at the level of municipalities with autonomous competence has on resources that are not under the direct decision-making of central authorities. This amounts to 31.7%.

Thus, the scope for inter-municipal cooperation in terms of financing social services is up to 7.3% of the total sources of financing social services and 35.6% of the sources that are not under the direct decision-making of central authorities.

2 INTERMUNICIPAL COOPERATION IN THE CZECH REPUBLIC

Inter-municipal cooperation is enshrined in the Czech legislation in Act No. 128/2000 Coll., "Act on Municipalities (Municipal Establishment)". In the original version in force since 2001 (Act No. 128/2000 Coll. [original wording], 2000), it was stipulated that cooperation between municipalities takes place based on a contract concluded for the performance of a specific task, based on a contract on the creation of a voluntary association of municipalities or by the establishment of legal entities under a special law by two or more municipalities. In the current wording in force since the beginning of 2025 (Act No. 128/2000 Coll. [current wording], 2024), the declaration that municipalities may cooperate in the exercise of their autonomous competencies has remained, and the specific forms of cooperation, only voluntary associations of municipalities. The possibility of forming a community of municipalities, which is a union of municipalities fulfilling the conditions set out for a community of municipalities by law, has been newly added. The association of municipalities is currently the only possible form of inter-municipal cooperation. The voluntary association of municipalities, which is the object of the case study presented here, is a union of municipalities, not a community of municipalities.

For the association of municipalities and the community of municipalities, the mentioned law (Act No. 128/2000 Coll. [current wording], 2024) specifies the conditions for their existence and activity. These conditions, however, do not prevent the transfer of processes, procedures, structures, and techniques of municipal autonomy by analogy to a union of municipalities. This is the direction in which the union of municipalities, which is the object of research of the case study presented here, is conceived and operates.

3 CASE STUDY

This paper complements and extends the case study conducted within the activities of the Centre for Longevity and Long-Term Care Studies at the Faculty of Humanities, Charles University in Prague. Two first steps are used from its workflow and then its separate analyses and findings are conducted. These, together with the above, form the basis for answering the questions in this paper and for its conclusions.

3.1 Background and purpose of the case study

The current form of provision of health care and social care shows deficiencies that lead to inadequacy of this care and to unsatisfactory meeting

of the needs of patients or clients, which are complex. There are many reasons for this, the most obvious of which are the fragmentation of health systems, the narrow specialization of health care disciplines, poor communication between specialisms and disease-to-disease rather than patient-to-client orientation, and the minimal or insufficient inclusion of aspects of patients' lives that are not directly related to the provision of health services. In many ways, this is analogous to social services.

The direct stimuli for the elaboration of the underlying case study were in particular: the phenomena of demographic aging and the transition to a society with an aging population, the development and changes in health services and social services as such, developments and changes in the provision of health and social services. The purposes of the case study are to identify appropriate tools to facilitate the provision of interconnected health and social services in long-term care at the local and community levels, to explore the phenomenon of integrated care in the provision of health and social services in long-term care, at the local and community level.

3.2 Methodology of the case study

The case study on which this paper is based uses qualitative research strategies and mostly unobtrusive methods. The case study method occupies a dominant position. Frequently used methods are content analysis of documents, interviews, observations, and expert opinions. The objects of the case study research are two organizations providing health services and social services in their interconnection and continuity in the Czech Republic for more than two decades. One of them operates in a metropolitan agglomeration, the other in a rural region. The period of detailed research is ranging from 2012 to 2023.

The case study can be characterized in terms of case study typologies as follows. According to the typology presented by Hendl (2005), two situations apply to the underlying case study: the multiple case study and the case study of organizations and institutions. In terms of the typology, which can be found in Chrastina (2019), the subject case study is a historical case study of organizations. Of the four types of case studies proposed by Yin (2018), the underlying case study is a multi-case holistic study within which the subjects under investigation will be treated as separate cases. Taking time as the dominant perspective, the subject case study is a diachronic case study or a longitudinal case study according to the typology of Thomas (2011), with it also bearing retrospective features.

If we use the concentrated typology summarizing several other typologies according to the function of the case study in research, as presented by Mareš (2015), then the case study in question bears dominantly the characteristics of an explanatory case study and a descriptive case study. Its layout will also

correspond to that of an instrumental case study, with the form of the phenomenon of integrated health and social care being investigated.

3.3 Case study workflow and follow-up steps

From the case study workflow, the first two steps were used for this paper: choosing the right tool and finding organizations to assess the suitability of the chosen tool. From the organizations selected as suitable for the case study facility, the voluntary association of municipalities was selected to represent inter-municipal cooperation for further work in this paper. The above steps from the case study workflow have been supplemented with an additional step specifically related to this paper only assessing the potential of linking social services provided on the platform of inter-municipal cooperation and the concept of integrated care.

3.3.1 Choosing the appropriate tool

To fulfill the purpose and objectives of the case study, the concept of integrated care was chosen as a suitable tool after researching possible alternatives, and the model of Integrated Community Care (Thiam et al., 2021) was chosen from its modifications and models.

The use of the concept of integrated care takes many different forms, sometimes seemingly contradictory. It is usually a set of services that are provided and coordinated between different health care providers, social care providers, or health and social care providers. These services are provided as a continuum of care and are coordinated around their central object. This object can be a single site, a single disease, a group of diseases, a group of patients, an individual patient, as well as funding arrangements or measurement and recording requirements.

Integrated care cannot be narrowly defined but should be understood as an umbrella term for a set of ideas and principles made up of many components that seek to better coordinate care according to people's needs (Goodwin, 2016).

Various taxonomies and classifications have been developed to understand the phenomenon of integrated care. They are usually examined (Armitage et al., 2009):

- type of integration (i.e., organizational, professional, cultural, technological);
- the level at which integration occurs (i.e. macro, meso, and micro);
- the process of integration (i.e. how integrated care delivery is

organized and managed);

- the scope of integration (i.e. to the whole population or a specific client group);
- the degree or intensity of integration (i.e., along a continuum that ranges from informal linkages to more managed care coordination to fully integrated teams or organizations).

Integrated care takes many forms, the most common of which are (Leutz, 1999):

- Horizontal integration. This is integrated care between health services, social services, and other care providers standing at the same hierarchical level.
- Vertical integration. This is integration across services, e.g. primary, community, hospital, and tertiary care, i.e. across hierarchical levels.
- Sectoral integration. Integrated care is implemented within a single sector.
- The whole system is integration. Integrated care focuses on the whole population and the central category is public health and the multifaceted needs of the whole population.

There are two basic general characteristics of integrated care as a concept. First, it must bring together key aspects of the design and delivery of fragmented care systems. I.e., integrate so that the parts come together to form a whole. Second, the concept must relate to the delivery of care. In this context, this means providing targeted help or treatment to those in need. Thus, integrated care is the result of integration optimizing the care in question (Goodwin, 2016). The different approaches to defining integrated care can be illustrated by at least two examples from the position of renowned international organizations, the WHO and the OECD.

The World Health Organization (WHO) defines integrated care as the management and delivery of health services so that people receive a continuum of health promotion, health protection, and disease prevention services, as well as diagnosis, treatment, long-term care, rehabilitation, and palliative care services, according to their needs, through different levels and sites of care within the health system (WHO, 2013). This is a view that includes only the health services and health perspective. Other aspects of patients' lives are either directly overlooked by this approach or included in the social determinants of health.

A second definition may be that presented by the OECD (OECD, 2015). The OECD uses the term 'integrated services' as a combination of social services

for the benefit of the users of these services and to improve the efficiency of delivery by providers. This is a very broad concept, with the context of the use of the term suggesting that social services are understood as all services related to the categories of welfare and wellbeing. Such services include, for example, housing, education, employment services, anti-poverty interventions, health-related services (not just health care or health services), etc. Significant weight is given to cost-effectiveness, benefit maximization, and economic aspects in general.

For this case study, the concept of integrated care was too broad and general. Its focus and objectives relate to more subtle relationships within health and social service delivery systems defined specifically concerning patient or service client care activities. Therefore, the Integrated Community Care (ICC) model (Thiam et al., 2021) was selected from relevant alternatives to fully meet the conditions of providing interconnected health and social services within long-term care at the local and community levels. This choice is based, among others, on the logic that can be found in the extensively conceived title of the Handbook of Integrated Care (Amelung et al., 2017). Integrated care is shown here as a polymorphic concept that is used in different disciplines, from different professional perspectives, and is associated with different goals.

The choice is also in line with the understanding of integrated care in the European region presented by the European Social Network (Montero et al., 2016).

Six dimensions form the core of the Integrated Community Care (ICC) model (Thiam et al., 2021): temporality (perception of time, temporality), local area (attachment to locality), health care, social care, proximity (territorial and relational) and integration. Each of these dimensions then has its attributes. The philosophy of this model is that health and social services are provided in each locality both territorial and temporal in a complex of social ties and relationships, interacting within the social determinants of health. Care is delivered in a holistic and integrated manner and aims to improve the physical and mental health of individuals, families, groups, and communities, the community, as well as the welfare and social capital of the community and society.

3.3.2 Finding organizations to assess the suitability of the chosen tool

To assess the suitability of the Integrated Community Care model as a tool to meet the aims, objectives, and goals of the case study, two organizations were identified. There were not enough cases that were potentially suitable for research into the phenomenon of integrated health and social care involving the provision of follow-up and long-term care at the micro-region or community level in the Czech Republic to allow the use of any type of random sampling.

Therefore, sampling was undertaken to obtain a specific type of information to maximize the usefulness of the information from each case. Of the organizations selected for this paper, the voluntary association of municipalities was then worked with (see above). Its main characteristics are:

- voluntary association of municipalities;
- operating in a rural region in the Czech Republic;
- providing health services and social services in their continuity and interdependence;
- existing for more than two decades;
- providing care for the elderly;
- providing secondary health care (specialized care);
- providing inpatient health care, a health care facility with 135 beds;
- providing outpatient healthcare;
- providing 7 types of social services;
- providing 137 residential social services;
- having a multidisciplinary team;
- having functional links with other primary and tertiary healthcare providers;
- having functional links with other social care providers;
- detailed research period from 2012 to 2023.

This association of municipalities purposefully and analogously transfers the processes, procedures, structures, and techniques of independent municipal authority to the extent possible into its constituent documents and functions. It also enables the greatest possible participation of member municipalities and their citizens in its functions and activities.

4 EVALUATIONS OF THE POTENTIAL OF CONNECTING SOCIAL SERVICES PROVIDED ON THE INTER-MUNICIPAL COOPERATION PLATFORM AND THE CONCEPT OF INTEGRATED CARE

This section describes the position of social services in the concept of integrated care, specifically in the Integrated Community Care model, and assesses the potential that the connection of social services provided on the inter-municipal cooperation platform and the concept of integrated care brings. As already mentioned, the Integrated Community Care model (Thiam et al., 2021) contains six dimensions: temporality, local area, health care, social care, proximity, and integration. Based on the attributes of the individual dimensions, the closest connection to social services can be found in the social

care dimension. The health care dimension has the least strong connection with them, but not none. This dimension understands health care as a means of achieving and maintaining health in the widest range of aspects, not only as health services. Therefore, it includes, among others, the social determinants of health, which are already influenced by social services. The attributes of the proximity dimension, in particular territorial proximity and relational proximity, are already at the very foundation of social services. The same is true for the dimension of temporality, which includes the understanding of time and its influence in all its forms that can affect human life and its quality. This includes respecting the individual perception of time by individuals, overlapping objectively flowing time, permanence, sustainability, long-term, longevity, and other concepts of aspects of time related to people's lives. The dimension of the local area, at least in the form of operating in each place and with knowledge of local conditions, is present in every provision of social services. The last dimension – integration – is an inseparable part of social services integrating much knowledge, competencies, and tools with which the complex life situations of their clients are addressed.

On the data collected within the framework of the case study described above, a step was carried out independently of this ongoing case study, following on from the two previous steps, but specifically related only to this contribution. It was an assessment of the potential for connecting social services provided on the inter-municipal cooperation platform and the concept of integrated care. This took place in two parallel sub-steps. The potential that social services can bring to successfully fulfill the individual dimensions of the Integrated Community Care model (Thiam et al., 2021) was assessed, as well as the potential contained in fulfilling these dimensions in the form of inter-municipal cooperation. The potential is understood as the degree of compliance of the attributes of the Integrated Community Care model with the attributes of social services, or rather the attributes of inter-municipal cooperation. The activities of the researched entity in the monitored period of detailed research from 2012 to 2023 were analyzed and assigned to the attributes of the Integrated Community Care model (Thiam et al., 2021). Attributes that were reflected in the reality of the operation of the subject under study in the monitored period entered the next phase of evaluation. Thus, not only the relationships and connections of theoretical concepts were examined, but their reflection in the specific situation of the object examined by the case study. Expert opinions were used in the evaluation. To evaluate the potential of social services concerning the Integrated Community Care model, the premise was used: Social services are one of the tools for the implementation of social work. Social work was monitored in its following attributes:

- empowerment and participation;

- community work;
- support for social functioning;
- critical theory, specifically legitimacy and justice in society, visibility, and the thematization of power structures that create systems of oppression;
- complexity;
- flexibility.

These attributes were then confronted with the attributes of the dimensions of the Integrated Community Care model (Thiam et al., 2021) entering this phase of evaluation. To assess the potential of inter-municipal cooperation within the Integrated Community Care model, the premise was used: Elements of the independent competence of municipalities and the participation of member municipalities and their citizens are transferred to the union of municipalities. These formed the attributes of inter-municipal cooperation. These were then related to the attributes of the dimensions of the Integrated Community Care model. The results of these assessments of the potential of social services and forms of inter-municipal cooperation in the Integrated Community Care model are presented in Table 3.

Table 3. The Potential of Social Services and Forms of inter-municipal Cooperation in the Integrated Community Care Model

Dimension of Integrated Community Care Model (ICC)	Social services	Inter-municipal cooperation
Health care	0%	0-19%
Social care	80-99%	40-59%
Integration	60-79%	60-79%
Local area	80-99%	80-99%
Proximity	80-99%	40-59%
Temporality	60-79%	40-59%

Source: own elaboration.

CONCLUSION

This contribution aims to assess the potential of inter-municipal cooperation for the provision of social services. It seeks to determine whether inter-municipal cooperation is a suitable form of social service provision and whether the concept of integrated care is a suitable framework for the provision of social services. An assessment of the position of municipalities and regions within the system of social service provision in the Czech Republic was carried out. 5.6% of registered social services are provided directly by municipalities,

including contributory organizations established by municipalities, which is 19.1% of the total number of registered social services. Approximately one-third (32.7%) of the total number of registered social services are provided within the independent competence of municipalities and regions. Municipalities and regions, with their contributions and subsidies, contribute 16.9% to the financing of social services. The share of resources decided on at the level of municipalities in their independent competence, of those not directly decided by central authorities, is 31.7%. The scope for inter-municipal cooperation in terms of financing social services is up to 7.3% of the total sources of financing social services and up to 35.6% from sources that are not under the direct decision-making of central authorities. The possibilities of inter-municipal cooperation in the Czech Republic are currently limited to only one alternative, which is a voluntary union of municipalities with the possibility of its other type in the form of a community of municipalities. The legal conditions for their existence and activity provide scope for transferring the procedures, structures, and techniques of independent competence of municipalities analogously to the union of municipalities. The results presented in this paper show that inter-municipal cooperation is a possible and appropriate form of providing social services and the connection of social services provided on the platform of inter-municipal cooperation and the concept of integrated care, specifically in the model of Integrated Community Care, are mutually beneficial and productive

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**MARTINA JAKUBČINOVÁ¹ - JANA MASÁROVÁ² - MIROSLAV
ŘÁDEK³**

PROGRAM BUDGETING OF MUNICIPALITIES IN SLOVAKIA – EXPECTATIONS AND REALITY AFTER 20 YEARS

Abstract

Program budgeting as one of the elements of public finance reform was introduced and began to be practiced in 2004. The goal of introducing program budgeting for local and regional governments was to increase the rationality, transparency, and predictability of the creation of local government budgets. This was ultimately supposed to bring higher economic efficiency. The basic principle of program budgeting is the determination of plans and goals, tasks, and possibly other activities that are reflected in specific programs, which can further be divided into subprograms. In this form, the developed priorities of municipalities are time-defined for three years. In addition to the political dimension of program budgeting, the conference contribution describes in more detail its legislative anchoring and structure. A descriptive method was used for this part of the paper. Content analysis was used in the practical part of the budgets of three regional cities. The goal is to verify whether program budgeting at the level of local self-government helped to create a more efficient and transparent administration of public finances.

Key words: local government, budget, program budgeting, transparency, financial health

1 Alexander Dubček University of Trenčín, Faculty of Socio-Economic Relations, Department of Public Administration and Regional Economy, Študentská 2, Trenčín, 911 50, martina.jakubcinova@tnuni.sk; ORCID iD: <https://orcid.org/0000-0002-0590-4581>.

2 Alexander Dubček University of Trenčín, Faculty of Socio-Economic Relations, Department of Economics and Economics, Študentská 2, Trenčín, 911 50, jana.masarova@tnuni.sk; ORCID iD: <https://orcid.org/0000-0001-9202-0735>.

3 Alexander Dubček University of Trenčín in Trenčín, Department of Political Science, Študentská 2, Trenčín, 911 50, miroslav.radek@tnuni.sk. ORCID iD: <https://orcid.org/0000-0002-7625-2277>.

INTRODUCTION

Program budgeting is a financial instrument of local governments. It was introduced 20 years ago as part of Slovakia's integration efforts to join the European Union. Its essence is the planning of income and expenses for more than one year, while the three years have been established by legislation. In addition to the predictability of municipal finances, the benefit of budget planning is the argumentation of municipal executives for financial decisions. Not only municipal politicians but also the wider public can gain a deeper knowledge of the intentions of local governments. More information theoretically brings greater transparency in the management of public finances.

The conference contribution describes the basic elements of budgeting as discussed in the legislation, its structure, impact on the "condition" of municipal finance, therefore, a descriptive method was naturally chosen for this part. The practical part of the contribution is focused on the program budgets of three municipalities Trenčín, Trnava, and Bratislava, through a content analysis. The main goal of the paper is to show whether program budgeting helps the financial health of local governments.

1 POLITICAL DIMENSION OF PROGRAM BUDGETING

According to public opinion polls, local governments in Slovakia have long been among the most trusted institutions in society. Cities and municipalities have maintained high public trust for more than 20 years. According to a survey by the Department of Media Research of the Slovak Radio (OMV SRo) carried out at the turn of May and June 2003 on a sample of 3119 respondents, cities and towns were the second most trusted institution: "More than half of citizens trust only the Armed Forces of the Slovak Republic. They received 57 percent support in the credibility ranking. They are followed by the self-government of cities and municipalities (48.1 percent) and churches and religious societies (47.4 percent). They are followed by the self-government of cities and municipalities (48.1 percent) and churches and religious societies (47.4 percent)" (TASR, 13. Jun 2003).

Similar results of trustworthiness assessment were also measured in the present with a different methodology: "Municipal governments are one of the most trustworthy entities in Slovakia. According to the current survey, 35.7 percent of respondents trust them (whereby 31.8 percent trusted local governments in July and 35.2 percent in March/ April). Employers, trusted by 40.3 percent of respondents, occupy the first place in the ranking of trustworthiness. Local governments are followed by Slovak state-owned companies with 30.9 percent trust, the president with 25 percent trust, and non-profit organizations with 22.1

percent trust" (Lukovičová, 2023).

The high credibility of local governments, which is continuously measured by public opinion polls, is a key argument of the public communication of interest organizations of local governments - the Association of Municipalities and Cities of Slovakia (ZMOS) and the Union of Slovak Cities (ÚMS). At the same time, it also represents an element of legitimacy for the state, especially in mutual negotiations regarding the creation of the state budget and the management of public finances in general.

2 LEGISLATIVE FRAMEWORK

Act 583/2004 Coll. on the budgetary rules of the local self-government in § 10 Compilation and division of the budget of the municipality and the budget of a higher territorial unit provides that "the budget of the municipality and the budget of the higher territorial unit according to paragraph 3 is compiled as balanced or in surplus. The capital budget is compiled as balanced or in surplus; the capital budget can be drawn up as a deficit, if this deficit can be covered by the balance of financial resources of the municipality or higher territorial unit from previous years, returnable sources of financing, or this deficit is covered by the surplus of the regular budget in the relevant budget year." At the same time, the same law in § 17 provides, that "the total amount of the debt of the municipality or higher territorial unit does not exceed 60% of the actual current income of the previous budget year and the number of installments of repayable resources financing, including the payment of revenues and the number of installments of obligations from investment supply loans in the relevant budget year will not exceed 25% of the actual current income of the previous budget year".

In the public debate, the first above-cited version of § 10 of the law is declared by representatives of local governments as a practical legal provision that makes local governments responsible economic institutions - from which their institutional reputation and public trust derive.

The current form of creating local government budgets in Slovakia is related to integration into the European Union when the National Council of the Slovak Republic (NR SR) adopted Act No. 523/2004 Coll. on budgetary rules of public administration and Act no. 583/2004 Coll. on the budgetary rules of the territorial self-government, which brought the obligation to the self-governments to prepare the so-called program budgets for three years. Municipalities have had this legal obligation since 2009, when they had to adopt budgets for the years 2009-2011. According to § 4 par. 5 of the Act on Budgetary Rules of Territorial Self-Government, however, the municipal council of a municipality with a population of up to 2,000 may decide not to apply program budgeting in each municipality.

3 POINT OF PROGRAM BUDGETS

Program budgeting can be understood as a strategic tool that is intended to help local governments manage their finances more efficiently. Theoretically, this happens through multi-year planning, in which both the municipality and the public can see the use of its financial resources in a longer context than one calendar year. It includes measurable indicators.

The program budget consists of several parts, programs, subprograms, elements, or projects. Through the selection of programs, intentions are formulated, and then specific goals or standards for their fulfillment are specified by measurable indicators. When choosing goals, responsibility for their fulfillment should also be defined. Through these plans, the expenses that will be incurred (financial quantification) are budgeted. Finally, the program budget contains comments focusing on the justification of expenditures and goals.

Program budgeting also has a political dimension for the functioning of local self-government, it potentially enables the transfer of the economic priorities of the election programs of mayors, mayors, or members of councils into the program budget through specific goals. The public thus potentially has a control mechanism for evaluating the political performance of its elected representatives.

When program budgeting was introduced, it was generally expected that local governments would gain better insight into managerial decision-making about expenditures, better quality information for the decision-making process, strengthening responsibility for the management of public funds, that it would lead local government employees and elected representatives to more strategic thinking, or more comprehensive information about the results of spending.

It was emphasized that the public should be better informed about the use of public resources through specific activities and should be able to monitor and control the areas of use of funds from planning to implementation. Among the benefits, within the framework of the then-public debate on program budgeting, were higher transparency, the possibility of performance comparison based on measurable indicators, stabilization of budgets, and an increase in citizen participation.

4 INFLUENCE ON THE FINANCIAL HEALTH OF LOCAL GOVERNMENTS

After the first five years after the adoption of programmatic budgeting of local governments, among cities, it seemed that they were managing more responsibly. The Institute for Economic and Social Reforms (INEKO), which has been devoted to the financial health of Slovak local and regional governments for a long time, stated about their management in 2014: "Almost all the largest cities

in Slovakia achieved a positive current account balance in 2014, and therefore have no problem with by covering current expenses from their current income (the surplus for the 50 largest cities together reached + 6.0%). However, when we also consider the income and expenditure of the capital accounts of cities and thus create an aggregate basic balance, it turns out that the sum of current and capital income of the 50 largest cities was higher than the sum of current and capital expenditure of these cities in 2014 by only 1.0%” (Tunega, 2015).

The same institute, however, had to state a deterioration in the budgets of local governments: "The total (or average) current account balance of all cities reached + 4.08%, which is a relevant year-on-year deterioration compared to the value of + 6.33% from 2021. In total, this is the worst figure in the past ten years and points to the problems of cities whose budgets are under increasing pressure. It is necessary to add the primary reason, which is that in 2022 the real current revenues of local governments decreased by approximately 5% (with inflation at the level of 12.7%, current revenues grew by only 7.7%). This is also why the average score of financial health for all cities in Slovakia is + 4.23, which is 0.12 points less than the year before. Cities were indeed at the peak of their financial health between 2017 and 2020, and the current decline represents a notional return to the state of 2015 (Hospodarenieobci.sk, 2023).

The management factors of local governments are made up of a larger set of elements. Program budgeting can be beneficial for maintaining or even improving financial health, but it does not necessarily guarantee it. At the same time, it can be set so that it creates the impression of efficient handling of public funds rather than delivering them.

5 PROGRAM BUDGETS OF THE CITIES OF TRENČÍN, TRNAVA, AND BRATISLAVA FOR THE PERIOD OF 2024 - 2026

5.1 Program budget of the city of Trenčín 2024-2026

The city of Trenčín has a current budget divided into revenue and expenditure parts by default. In the case of non-tax income, it anticipates an increase between 2024 and 2026 from € 156,500 to € 175,843. It should grow due to rents from rented buildings, premises, and objects, and an even more significant increase in income expected for the Hviezda building from € 130,000 to € 200,000. These are very optimistic estimates, probably based on a potential increase in the number of summer terraces in the city (or an increase in the public space tax), further e.g. income from the operation of information, advertising, and promotional equipment on public lighting poles (it is not clear what kind of equipment this is, given that the city of Trenčín did not have any similar equipment in its possession or administration at the time of the contribution).

At Hviezda, the assumption of an increase in rents is reasonable given the organization of the international event European Capital of Culture 2026 (EHMK 2026), but the document does not reveal a more specific justification. On the other hand, revenues from parking fees, which should be at the level of € 2.4 million in 2024, are expected to reach the level of € 2.7 million in 2026 when the EHMK 2026 will take place. In the words of Mayor Richard Rybníček, the city expected a radical increase in the number of visitors in connection with the EHMK 2026 event: "We expect that not tens, but hundreds of thousands of tourists will come here in the given year, but also by then" (Stopka, 2021). Such a sharp increase in tourism must logically bring with it an increase in income from parking fees. The increase of € 300,000 does not correspond to the original more generous ideas about the increase in traffic. The city of Košice, which was the European Capital of Culture in 2013, recorded 308,955 overnight stays, the following year 279,159, and in 2015 up to 337,217, the regional tourism organization Košice Turizmus.

The budget for 2024 includes grants and transfers, which should mainly be used for the renovation of properties that are or should be part of cultural, sports, and educational infrastructure. The city of Trenčín has confirmed that it will receive a contribution of from European funds for the reconstruction of the Pavel Demitra Winter Stadium of more than € 10 million, but at the time of the creation of the contribution it is not known that the reconstruction of the Dlhé Hony community center should take place in the total amount of more than € 4 million. A similar situation exists to revitalize Hviezdoslavová Street for almost € 9 million, revitalizing M.R. Štefánik Park for € 1.84 million or revitalizing 1. May Street for almost € 1.7 million. The Chairman of the Finance Committee of the Trenčín City Council, Peter Hošťák, however, explained for this article that the mentioned non-refundable funds "are already tied up in the budget at the time when it is assumed that the call in question could be issued (to ensure budget coverage). Then you wait for the invitation, then you wait for the approval of the project, you must implement the VO - and often you wait for the statements of the ÚVO before the implementation begins. All this sometimes takes years or months. The situation changes often. And it also often happens that expenses are financed in year A, but their reimbursement will not be credited to the city's account until year A+1 (after lengthy approval)."

Another part of the program budget is the expenditure part. Its first subprogram is city management. Element 1.1.1 refers to the performance of the mayor's office, which was planned at € 36,700 for all three years. E.g. were selected as measurable indicators. The number of open house days per year, complete initiatives from citizens, the number of meetings of the mayor of the city with local interest organizations, or the number of media outlets. With the need to ensure open communication with the public as one of the goals of the subprogram, it is not possible to verify the actual number of meetings with the

public or organizations, and it is not clear what is specifically considered media output (e.g. press release, press conference, interview, statuses on social networks, reels or stories for social networks). Similarly, budgeting for the performance of the duties of the deputy mayor and the mayor was general.

Spatial planning was agreed upon for 2024 at € 484,000 and for the next two years at € 231,000, while the largest part for 2024 was to be participation fees at conferences and various studies, but also the promotion of spatial planning events - which are activities that 1. are more related to the promotion of the city than spatial planning and 2. it would be useful for the public to have from the document information about specific events. Similarly, the budget explained the city's strategic planning, which was planned for more than a million euros for all three years.

5.2 Program budget of the city of Trnava 2024 - 2026

According to the approved budget for 2024, the city of Trnava should operate with a balanced budget in 2024, while revenues and expenses should be in the total amount of almost 91 million Euros, which is less than in previous years. The revenues of the regular budget were approved at 76.628 million Euros, expenses of 73.812 million euros, and a surplus of 2.816 million euros. On the contrary, the capital budget is drawn up as a deficit, revenues are expected to be EUR 5.489 million, and expenses in the amount of EUR 14.662 million, which represents a deficit of EUR 9.173 million. Eur. This should be settled from the surplus of the current budget and revenue financial operations. In the budget, there was a change in its program structure, compared to 21 programs in 2023, their number was reduced to 10, while programs and subprograms with low financial fulfillment, with similar goals and objectives, were merged (TASR, 2024c).

In addition to the internal and public services of the city and the city police, the individual programs of the budget of the city of Trnava are focused on transport, environment, waste management, social services, education and youth, sports and culture, and promotion of the city and cooperation with the public. The largest financial coverage is intended for the Education and educational system program (37.62% of total expenses). Capital expenditures are the highest in the programs of transport (4.735 million euros) and public services in the city (4.514 million euros).

Even though the city of Trnava will not increase taxes, and fees or reduce subsidies for youth and sports in 2024, it plans to continue large-scale investments. In terms of the volume of funds, the largest event of the year is to be the comprehensive renovation of the Powder works for 4.2 million euros, the city received 2.3 million euros from the renovation plan. Construction work is scheduled to begin in the first half of January 2024 and should be completed

within 12 months. However, as Mayor Peter Bročka stated, the city is very well prepared to draw resources from European funds, and in the case of obtaining non-refundable resources from the European Union for the humanization project of the Linčianska housing estate on Golianova Street, this project would be the largest investment event of the year, with the volume of investments almost three times higher such as the reconstruction of the Powder Room (Trnava-live.sk, 2023).

In addition to the listed, largest investments, extensive repairs and reconstructions of local roads and sidewalks are planned in the field of transport, as well as the construction of a roundabout at streets J. Botta and Študentská, construction of bicycle paths, expansion of parking capacities and processing of project documentation for new parking buildings. The construction of photovoltaics on the winter stadium building is being prepared, as well as the revitalization of several public spaces and the renovation of public buildings. As part of ensuring competencies in the field of education, in addition to the reconstruction of existing buildings, apartment buildings, and campuses, the processing of project documentation for the construction of new kindergartens will be financed due to the need to increase the capacities of kindergartens (Trnava-live.sk, 2024). During the budget year, however, there are changes in the budget, also in connection with the submission of projects for the currently announced calls, as the city of Trnava has prepared several other investment actions.

In this context, it should be noted that the city of Trnava has been evaluated as the best regional city for several years in the framework of the assessment of the financial health of local governments by the Institute for Economic and Social Reforms INEKO, and for the year 2022, it was ranked 15th out of 141 evaluated cities, achieving a score of financial health 5.19 out of six possible points (Trnava-live.sk, 2023).

5.3 Program budget of the city of Bratislava 2024 - 2026

The program budget of the city of Bratislava for the years 2024 – 2026 is designed within 8 programs. The structure of the budget reflects the main priorities, considering the key areas of the budget for the year 2024. The specificity of this budget is that it only covers finances within the administration of the capital city of Bratislava, i.e. it does not include budgets of city districts. The budgets of urban districts are approved by their local councils.

The draft budget for 2024 follows on from the previous period, and as in its other elaboration, it is compiled with a balanced economic result. The mayor of Bratislava, Matúš Vallo, expresses himself positively in connection with the budget while promoting the idea of financial savings and efforts to continue obtaining financial resources from the outside. At the same time, he emphasizes

that the 2024 budget "will be very lively". In the case of the current budget, it is expected to reach a surplus of 2,925,571 euros. In the case of the capital budget, the anticipated deficit is EUR 59,277,274. The budget does not show any significant new investment projects. The total balance of financial operations is EUR 56,351,703 (Rozpočet Bratislava, 2024-2026).

The most significant changes in current revenues (EUR 467,054,067) include a 7.1% increase (+ EUR 22,032,513) in expected tax revenues compared to the previous period (EUR 310,007,329). In connection with this fact, an adjustment of tax rates was approved within the VZN, i.e. j. increase in property tax rates by approx. 35% and an increase in the fee for municipal waste by 30%. The increase in the fee reflects the higher costs associated with the collection, transportation, and disposal of waste, while the municipality emphasizes its commitment to maintaining the quality of the provision of services related to the management of municipal and small construction waste (TASR, 2024b).

As part of current income, there is also a 19.2% (- 22,679,211 euros) decrease in income under the item grants and transfers (a total of 117,971,998 euros). In the case of current expenses, these are mainly expenses related to the performance of self-government (424,077,884 euros), which are 0.5% lower compared to the other period, while 52,368,302 euros (i.e. 12,34% of total current expenses).

The city directs most of the funds allocated within individual programs in the category of current expenses to the issue of education development (Program 5 Education and leisure time, 126,421,108 euros, i.e. 27.23%), through which the city supports educational activities, finances the leisure center and 12 primary art schools, which he is the founder of, but also the development of sports (Dotačný Podprogram 4, 2024).

In addition, the city allocates a significant amount of funds to address the issue of transport support (Program 1 Mobility and public transport, 111,221,849 euros, i.e. 23.96%), while it also intends to advance in smart self-government (Program 7 Effective and transparent self-government, 60 391,500 euros, i.e. 13.01%, which is an increased expense by 19.9%).

The city budgets capital income for income from property sales (3,640,000 euros) and capital grants and transfers related to the financing of transport projects and development projects, which are supported by subsidies from EU funds and the state budget (63,098,950 euros). These revenues are intended to cover the city's investment needs, especially needs of city-wide significance in the areas of public infrastructure (e.g. revitalization of public spaces, green passport) and transport infrastructure (e.g. tram and trolleybus line). In the case of capital expenditures, within which 130 projects are planned, within the program structure, up to 90,690,040 euros are reserved for Program 2 Public infrastructure, which represents a decrease of 10.5% compared to the other period. Construction and

repairs of roads and pedestrian roads are planned, as well as expenditures for the improvement of public spaces and greenery. Additional capital expenditure will be absorbed by the construction of a new tram line (77,296,189 euros), which will connect the largest Slovak housing estate (Petržalka housing estate) with the city center. In addition, the construction of the truck will also bring a new green standard, i.e. the construction of stops, within which shelters with maintenance-free vegetation roofs will be displayed, and a lot of other high-quality greenery (Odborné stanovisko k rozpočtu, 2024-2026).

In the case of Program 6 Social Assistance and Social Services, on the other hand, there is an improvement of up to 25.8% (1,269,398 euros), and this is the only program that improved its initial situation compared to the other monitored period. This situation is mainly connected with the need to de-barrier spaces and facilities intended for seniors. Increased attention is being received within the framework of capital expenditures and program 5 Education and leisure (189,500 euros), which so far showed zero values. Full attention is being paid to this issue by the Basic Art School, Exnárova, whose building, as part of the Climate-Resistant Bratislava project, will undergo a comprehensive renovation (Klimaticky odolná Bratislava, 2024). In 2024, the city expects a debt load of 48.58%, as well as the necessity of refinancing the loan (total 2024 = 11,650,393 euros) (TASR, 2024a). This fact places the city in 135th place of the financial health score (good financial health - value 4.1).

CONCLUSION

Program budgeting of municipalities is a financial instrument through which Slovak municipalities and cities prepare their three-year budgets. Like the budgets created before 2009, they are made up of income and expenditure parts. Further, program budgets are divided into programs, sub-programs (containing comments that should more supportively explain their content and intentions), and finally elements with measurable indicators.

The ambition of the legislators when adopting the relevant legislation introducing program budgeting (Act No. 523/2004 Coll. on Budgetary Rules of Public Administration and Act No. 583/2004 Coll. on Budgetary Rules of Territorial Self-Government) was to introduce more the degree of transparency, predictability, and consequently efficiency.

Twenty years after the legislative introduction of program budgeting and fifteen years of its practical use, it can be concluded that it has positive effects on the condition of local governments. The opposite effect – i.e. the deterioration of financial health (also according to the INEKO index) – has the decisions of the state (government) and subsequently of central state administration bodies, which transfer new obligations to local governments without financial coverage, which

creates the main pressure on their budgets.

The content analysis of three program budgets for the period 2024-2026 of the cities of Trenčín, Trnava, and Bratislava indicated the limits of local governments in their preparation. In some minor sub-points, they diverged from reality; not all the measurable indicators chosen were sufficiently concise and the comments on the programs were general. Program budgeting has proven its benefit in terms of transparency. It helps to verify e.g. media statements of municipal politicians with budget facts.

A legislative exception to the obligation to prepare program budgets for municipalities with up to 2,000 inhabitants can also be a subject for further discussion. The abolition of this exception could bring more efficiency and economy to most local governments, as almost 2,500 municipalities out of 2,900 (rounded) have less than 2,000 registered inhabitants.

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JOHANSEN, B. E. (2023). NATIONALISM VS. NATURE: WARMING AND WAR

Cham: Springer. 388 pp. ISBN 978-3-031-36056-5.

The book by Bruce E. Johansen, *Nationalism vs. Nature: Warming and War*, is both dense and timely, covering two of humanity's most serious existential threats, global warming and war. Johansen carefully exposes the linkages between nationalism, environmental degradation, and conflict and makes a compelling case for these issues needing to be approached together if there is to be any realistic movement toward a liveable future. Of vital interest to those more sensitive to the socio-political and environmental dynamics of our times, this book contains an in-depth analysis of how these issues interplay and magnify each other.

Johansen's detailed narrative, rich both in proper historic contextual reference and in contemporary analysis, gives a valuable resource that can help deepen an understanding of the intricacies involved in modern-day geopolitical and environmental challenges. The structure of the book is based on deep dives into topics such as the historical roots of nationalism, how climate change influences global security, and how cooperative governance models can help in attending to these intertwined crises. Johansen provides a well-elaborated case study with empirical data; hence, he makes a robust argument for why nationalism and environment-related issues need to be addressed together.

A Detailed Review of Nationalism and Environmental Problems

One of the stark strengths of *Nationalism vs. Nature* is its interdisciplinary approach. Johansen has brought together views from political science, environmental studies, and history transparently in cooperation, which results in a comprehensive view on the interaction between human conflict and environmental sustainability. The structure of the book makes it possible to delve deep into detailed probes on related areas to the historical roots of nationalism, how climate change can affect global security, and precisely how cooperative models of governance might prevent these crises.

Worth noting, however, is that Johansen keeps relying on case studies and empirical data. He goes on intricate descriptions of how nationalist policies have caused environmental degradation in these or other regions, using strong suppor-

tive evidence to back up his arguments. Aside from the reinforcing credibility this gives to the book, such an empirical approach strengthens the work by holding concrete examples of the issues for readers. The book also critically reviews the role that technology can play in both aggravating and mitigating environmental and nationalist conflicts. Johansen, herein, comments on the dangers of purely technological fixes in holding up some of the most key problems, such as geoengineering, with no understanding of deeper social and political issues. It is this kind of balanced view that yields insight into the multifaceted character of the upcoming challenges.

Educational Elements in the Book

One of the most noteworthy dimensions of Johansen's work is that he situates education and learning within this broader framework of global challenges. It details how systems of education are impacted and, at the same time, may act on the challenges emanating from the nationalist and climate crises. For example, Johansen puzzles over how education systems nurture deeper understandings of environmental issues and foster a sense of global citizenship that goes beyond nationalist lines.

Moreover, the book can discuss the implications for education of nationalist policies, such as pressure for homeschooling and political influence in school curricula. Johansen has put together a case for understanding educational institutions as battlefields for nationalist ideologies, which may further deteriorate the possibility of a willingness to raise environmental awareness and build cooperation. There is a legendary story about the impact of nationalism on educated policymakers and how these policies affected scientific understanding and environmental stewardship, which underlines how very important it is to take systems of education outside such influences and embrace inclusiveness in fact-based learning. Johansen examines more fully the prospects for education as a transformative tool in solving key global crises. He moves a step further to demand that environmental science be integrated into the curriculum alongside social studies so that, among other things, students are introduced to the relations between ecological and political perspectives. It is proposed that by empowering students in this way, there will ensue a generation of informed, engaged citizens who know ways to drive meaningful change.

Critical Analysis and Practical Solutions

While nationalism vs. nature shows its real strength in being interdisciplinary and integrative, the inclusion of more practical solutions in terms of education integration against these global challenges would be highly desirable. Johansen does well to point out the problem and its causes, but in a way, it leaves the reader somewhat wanting in that it gives very few detailed strategies by which education might be harnessed to make such changes.

It can still be extended to expound on some educational programs and policies already harnessed midway through solving such issues. In making a case, it is important to add more case studies of educational initiatives that would undertake environmental sustainability and global cooperation for the book to be more relevant in its application to educators and policymakers. Even with this minor deficiency, the critical examination of present educational policy in the book is very exhaustive and engaging. Johansen identifies some of the key areas wherein educational reforms are urgently needed, namely: terms related to education about climate change within the national curriculum and with interdisciplinary learning approaches. The book provides a solid foundation in those areas for policymakers and educators to come up with effective strategies for tackling the twin crises of nationalism and environmental degradation.

Overview of Governance and Policy

Another cardinal element in Johansen's work is the exploration of governance and policymaking with a view to nationalism and environmental sustainability. This book opens the dynamics of power, participation, and accountability, appealing for the reshaping of contemporary structures of governance with inclusivity, transparency, and rewards for citizen participation. This impact underscores the necessity for evolving policy frameworks that can adjust to technological and environmental change.

Johansen points out that without international cooperation and multilateral governance, global issues cannot be efficiently overcome. According to the taste of Johansen, many nationalist policies strike at this type of cooperation and usually result in fragmented and ineffective responses, such as toward climate change issues internationally. This book has clearly shown a strong rationale for strengthening global institutions and engendering collaborative approaches toward governance.

The thematic search stretches to governance and policymaking in the era of smart cities. It critically reviews the dynamics of power, participation, and accountability to reconsider the governance structure so that it is inclusive, transparent, and conducive to participatory citizen engagement. This impact underlined the need for developing policies that would be able to accommodate changing technologies.

Johansen further places much emphasis on the role that local governments play concerning dealing with these global challenges. He contends that often the local authorities are found at the frontlines of implementing policies toward environmental sustainability and social justice. This book gives numerous examples of strong local initiatives, demonstrating ways through which grassroots efforts can propel major change.

Comparative Analysis of National and Regional Approaches

That the book dwells on smart city initiatives in different cultural and geographical contexts lends it a further feather of strength. This analysis does not go unnoticed and can be a fact that lets the reader end up with an enriched understanding of the global scene in smart cities and the diversity of strategies used to address urban challenges across the world.

He gives examples of regions in detail, bringing home issues on how countries and cities have been able to grapple with big issues concerning nationalism and environmental sustainability challenges. The case studies will contain relevant lessons as to the effectiveness or lack of it in the strategies used; it is upon reading that one can make judgments from a wide perspective of what works and what does not.

As an example, the case covers the degree to which Nordic countries have, over time, instrumented environmental sustainability into their national policies. How they were able to balance robust economic growth with liberal environmental protection practices and procedures in a manner that practically shows how other nations might be able to mirror similar success. Similarly, the book deals with the problems that developing countries faced in tackling environmental issues through much of the evolution and transition period, strongly marked by economic and social inequalities.

By presenting a wide variety of case studies, Johansen shows the importance of solutions that are totally context specific. According to him, there can be no single, all-encompassing solution to these global issues; rather, the policies to address them must be context-specific to any region. This kind of nuanced view is important for devising workable strategies which also allow some degree of flexibility in being workable in different contexts.

Critique of Socio-Economic Disparities and Digital Divide

While immensely broad and insightful, the book sometimes falls short of a critical assessment of socio-economic disparities that have the potential to get exacerbated through technology-driven urban solutions. The gist of the critique is that, while the key lies in the transformative potential that smart technologies carry in terms of urban planning and governance, it sometimes overdoes the subject at the cost of considering the digital divide and unequal distribution of technology benefits. The book would be better for having a deeper analysis of strategies to mitigate socio-economic inequalities within a smart city.

In this light, importantly, there would crop up an analysis of the critical ethical implications of the data collection, storage, and use in urban management. Understanding the balance between actual use of this data for urban improvement and protection of personal privacy rights can contribute to guidelines for ethical management of smart cities.

The other area that could potentially receive a more critical standpoint is the perspective of the impact on the environment. Even though the book does a remarkable job of drawing the public's attention to such environmental benefits of smart cities as reduced carbon footprints and efficient use of resources in general, there is so much more the authors could have done when it comes to lifecycle environmental costs of the technologies.

Nationalism vs. Nature: Warming and War is a deep, powerful look at the various issues and opportunities surrounding the movement to smarter, more sustainable urban environments. The significance of this book lies in the role it plays in fostering dialogue on the subject under discussion, engaging not just government officials and providers of technologies but also community organizations and the public: citizens. Through promoting the collaborative approach to urban development based on smart technologies, the way and importance of inclusion and involvement of stakeholders are underlined in this book for developing cities that are developed not only smart but fair socially and ecologically.

The standout publication inspires innovative thinking, even by showing multiple case studies, theoretical exploration models, and practical applications heralding potential transformations awaiting the cities of the entire globe.

Fundamentally, the value and contribution of the book are related to wide and multidimensional coverage of paradigms of the smart city. It empowers the readers not only to construct the knowledge to understand the perils of the digital transformation of the city but also visualizes a city through the mirage of technology implementation. Essential reading for those that seek to make urban spaces more liveable, sustainable, and just.

Contribution to Smart Urban Development: Nationalism vs. Nature: Warming and War is an engaged and timely contribution to the debate regarding smart urban development. At a time when cities worldwide are impacted by change at scales not seen before, due to factors like climate change, resource scarcity, social inequality, and rapid urbanization, the book seeks to provide a pathway toward avoiding these problems and, in its wake, possible solutions.

What this does is move the book beyond just documenting the challenges and opportunities, to assuming a profile almost of a guidebook to urbanists, stakeholders, citizens, and researchers. The authors, compiled by Fateh Belaid and Anvita Arora, have displayed, through their group of contributors, the very many facets that are associated with smart cities. Through their joint efforts, they narrate a valuable, detail-rich, and large-scoped story of the technological, environmental, and social fabric of smart urbanism. Their book could be of help in rethinking the traditional ways of approaching the planning and development of cities.

Furthermore, the practical guidelines and insights of the book hold value for the practitioner in the field. Indeed, it was successful in offering the contextual gap of theory and practice and giving the policymakers, urban planners, and co-

community leaders tools, solutions, and knowledge for the effective implementation of smart city initiatives to make them effective in cities and neighbourhoods.

Concluding Remarks

In conclusion, Bruce E. Johansen's *Nationalism vs. Nature: Warming and War*, it might be said, stands as a pivotal work in the evolving narrative for urban development. It successfully charts a course into the future wherein technology, with innovation harnessed, creates living places both efficient and resilient, nurturing the well-being of people with great care. As cities continue to grow and evolve, the insights and guidance offered by this book will undoubtedly play a crucial role in shaping their development, making it an indispensable resource for anyone engaged in the work of implementing a smarter, more sustainable urban future.

There is compelling urgency, underlined in Johansen's discussions, for the need to battle the twin threats of nationalism and environmental degradation on a parallel basis. The continued existence of our global community ultimately lies in our respective capacities to deal with these twin threats. His interdisciplinary approach and thorough analysis offer a sound basis for understanding the complexities involved in both challenges and bring forth very valuable inputs to devise strategies that may effectively deal with them.

Although in a few dimensions the book could have expanded further, especially in terms of practical solutions and addressing the problem of the gap between various socio-economic groups, its contribution to the discourse regarding smart urban development ought to be assessed as solid. This book is well equipped with rich empirical material, detailed case studies, and judicious insights that will be of great use to all those concerned with creating a fairer and more sustainable world.

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Andrej Kóňa
Institute of Political Sciences and Public Administration
Faculty of Social Sciences
University of Ss. Cyril and Methodius in Trnava
Bučianska 4/A, Trnava, 917 01, Slovakia
andrej.kona@ucm.sk
ORCID-iD: 0000-0002-6028-1452

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Faculty of Social Sciences University of Ss. Cyril and Methodius in Trnava

Department of Political Sciences

Bučianska 4/A, 917 01, Trnava, Slovakia

martin.dasko@ucm.sk, +421 33 5565 549

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Address of Editorial Office

*Faculty of Social Sciences
University of Ss. Cyril and Methodius in Trnava
Bučianska 4/A, 917 01 Trnava, Slovakia
sjpppa.fsvucm.sk*

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