



REPUBLIC OF SLOVENIA  
COURT OF AUDIT

# AUDIT REPORT

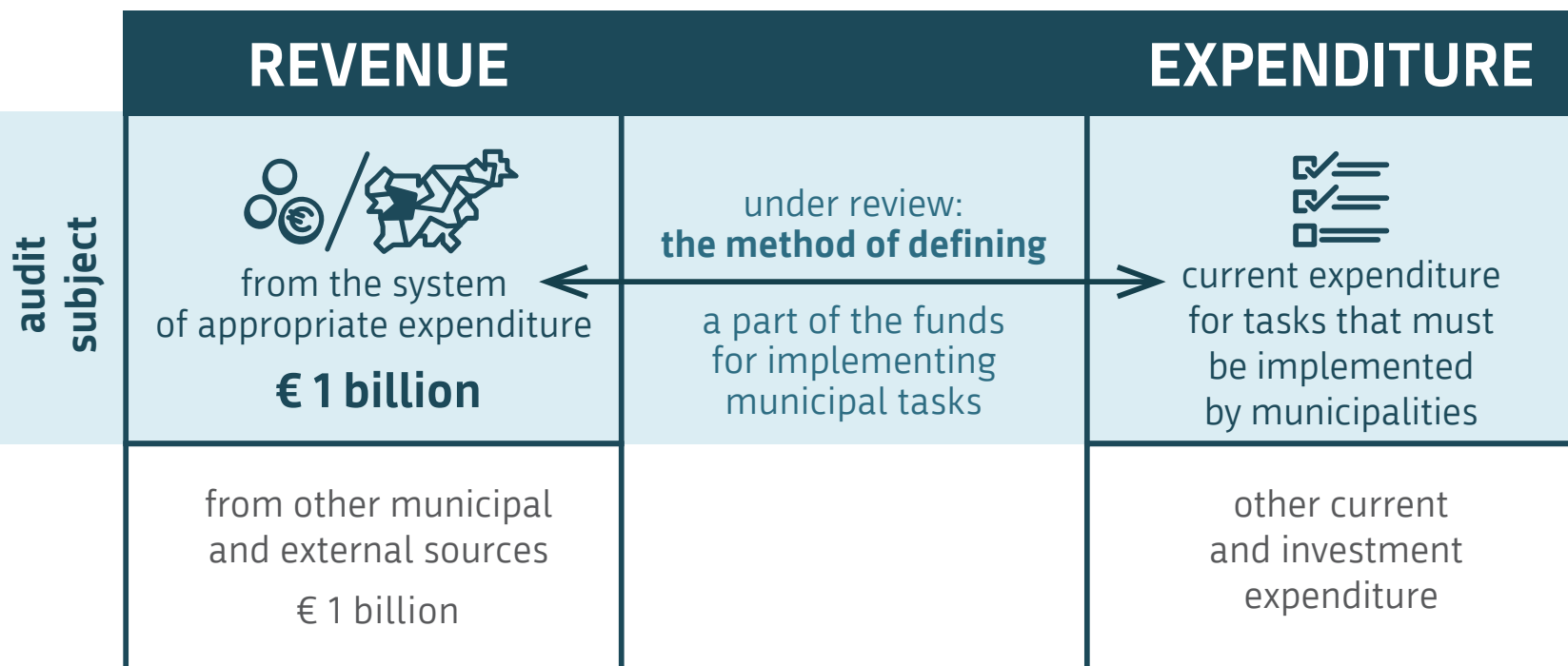
## Financing of municipalities (appropriate expenditure)

**Auditees: Government of the Republic of Slovenia,  
Ministry of Finance, Ministry of Public Administration**

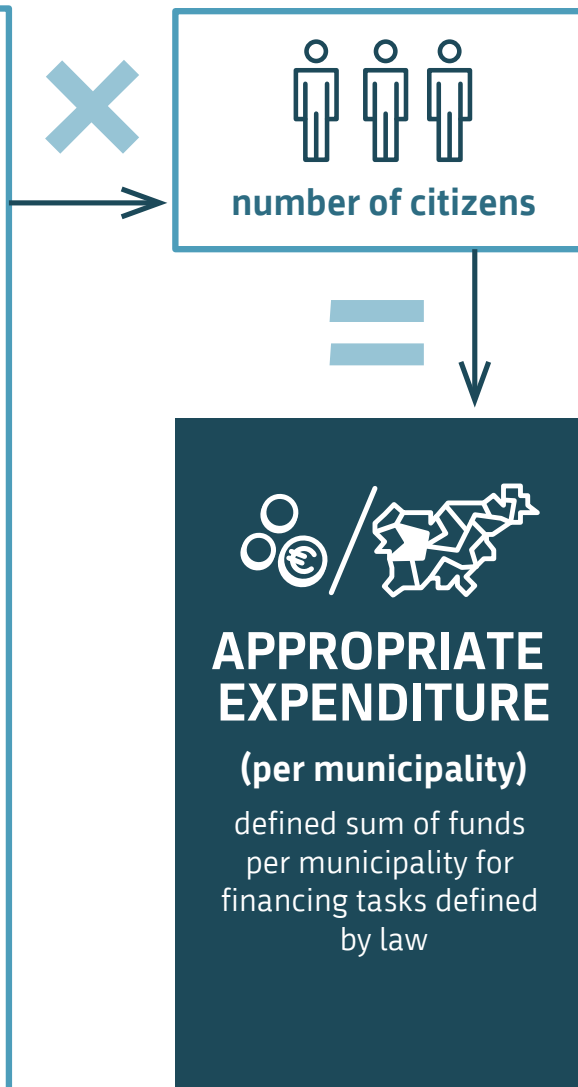
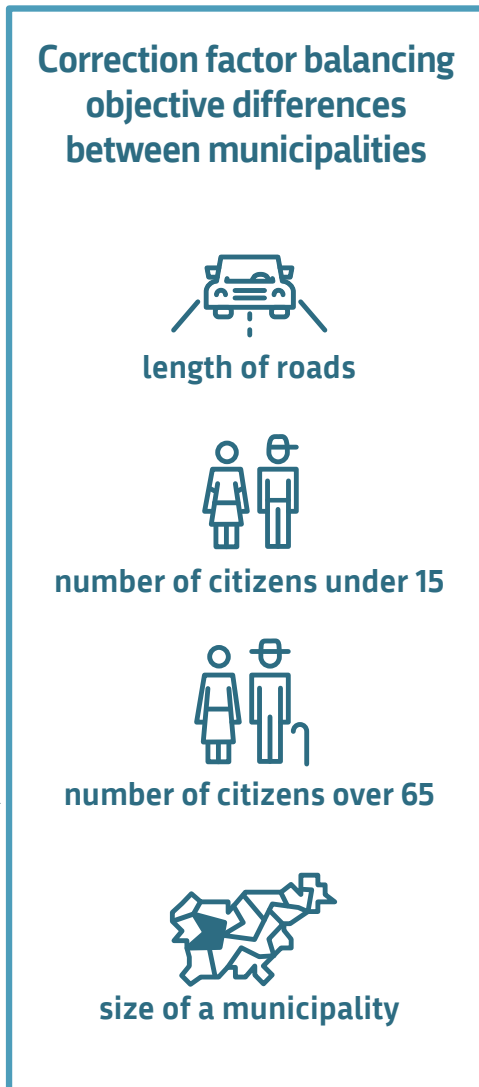
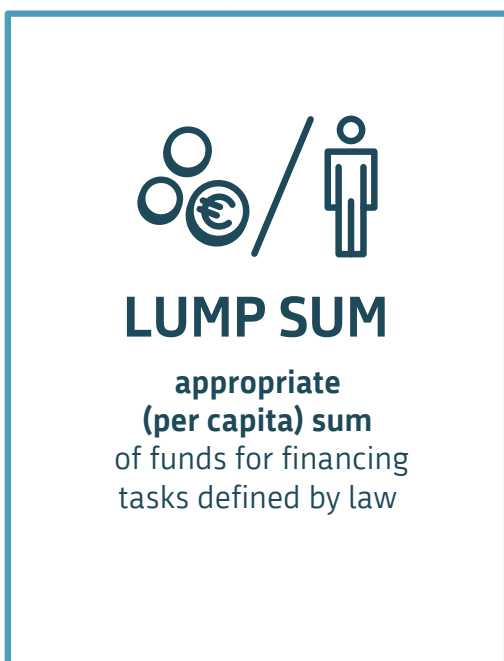
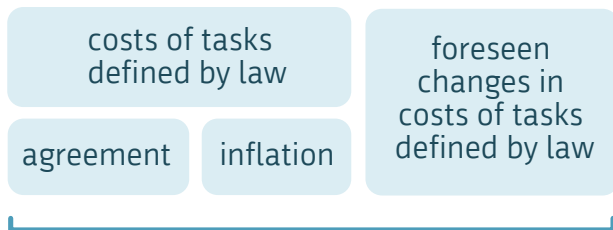
Year 2014 and 2015



212 municipalities

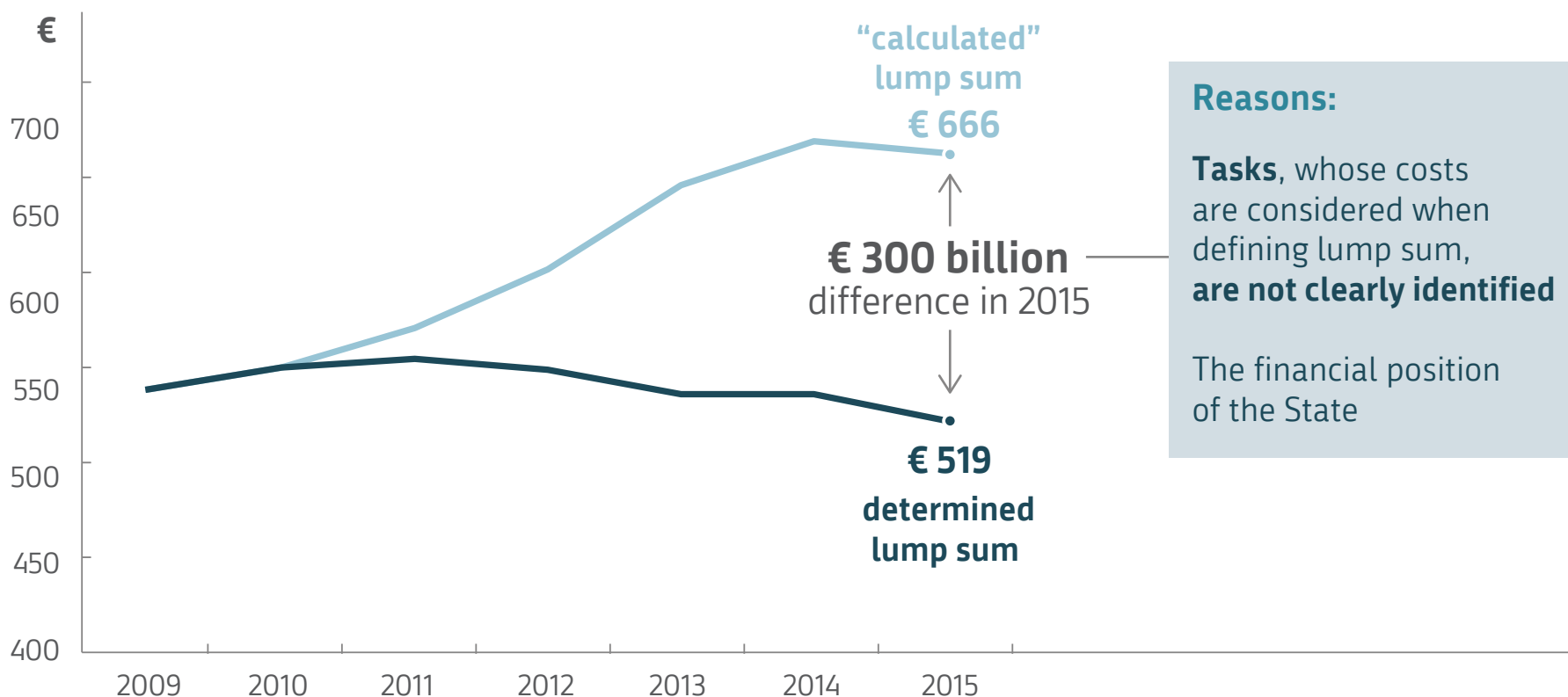


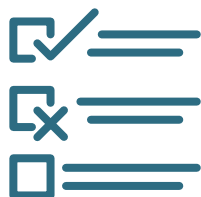
### Factors considered when defining appropriate expenditure



# The difference between calculated and determined lump sum

The prescribed method of defining lump sum includes the calculation and other factors, therefore **the determined lump sum is not equal to the calculated one**





**Tasks**, whose costs are considered when defining the lump sum, **are not clearly identified**. Thus, the basis of the lump sum is not specified.



Ministry of Public Administration **does not keep records of all tasks whose costs should be considered** when defining lump sum.

For **2014** and **2015**, the Ministry of Finance **did not thoroughly follow the prescribed deadlines** and activities for assessing lump sum.



**The method of defining lump sum does not have a clear priority order pertaining** to the calculation and agreement with the municipalities, thus enabling different interpretations of the method.



**Factors that should be considered** when defining the lump sum according to the Court of Audit

**Defined by regulations**

**Considered when defining lump sum** for the years 2014 and 2015

the lump sum of the past year	–	✓
costs of tasks	✓	○
municipalities' opinion	✓	○
availability of financial resources	–	✓
quality and efficiency of performed tasks	–	–



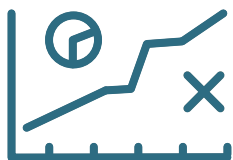
**Not foreseen: considering the macroeconomic position of the State**



**Not foreseen: considering quality and efficiency of performed tasks**



**Sufficient funds for municipalities are determined not considering quality and efficiency of performed municipal tasks.**



Ministry responsible for local self-government **failed to monitor and optimise** effects of correction factors.



**Appropriate expenditure** of municipalities in 2014 ranged from € 477 to € 1,320 per citizen. Ministry of Public Administration is **not familiar with the bases for defining correction factors.**

**Maximum difference between the costs** occurred in the field of culture, **sports**, environment and spatial planning where the differences are one time higher than the average differences between the municipalities.



The system should pay more attention to the objective **differences between 212 municipalities** – by altering the factors.



length of roads

0.13 ↓



number of citizens under 15

0.16 ↓



number of citizens over 65

0.04 ↑



size of a municipality

0.06 •



**Monitoring tasks are not clearly divided between Ministry of Finance and Ministry of Public Administration**, thus weakening the accountability for the implementation of tasks.

**Both ministries have the obligation to develop and harmonise systemic legislation** in the field of financing municipalities.

## Monitoring the system of appropriate expenditure



The manner of cooperation was defined	—
Systemic tasks relating to the system of appropriate expenditure were clearly defined	—
Ministries collected usable data	○
Ministries implemented analyses of the system of appropriate expenditure	○
Ministries developed formal proposals for improvements	✓
Government was informed about the position of the system of appropriate expenditure	○
Government controlled and harmonised the implementation of the systemic tasks related to the system of appropriate expenditure	—



## DEMANDS

### Ministry of Public Administration



to **clearly identify tasks** whose costs are considered when defining lump sum

### Government, Ministry of Finance, Ministry of Public Administration



to **clearly specify the method** for defining lump sum

### Ministry of Finance, Ministry of Public Administration



to **include the macroeconomic position** when defining lump sum



to **define and separate tasks of monitoring** the system of appropriate expenditure



to **monitor the effects of the correction factors** intended for covering objective differences between municipalities



## RECOMMENDATIONS

### Government

to **be more active when monitoring system** operation of the appropriate expenditure and to cooperate when making decisions and harmonising systemic tasks

### Ministry of Public Administration

to **incorporate quality and efficiency of implementing municipal tasks** in the method of defining lump sum