



REPUBLIC OF SLOVENIA
COURT OF AUDIT

AUDIT REPORT

Efficiency of Marjetica Koper operations

Performance audit

Audit period: 1 January 2015 to 31 December 2016



Marjetica Koper

is a public company owned by the Municipality of Koper, performing several public utility services in the area of the municipalities of Koper and Ankaran, such as waste and wastewater management, as well as other activities

AUDITED WAS
efficiency of Marjetica Koper in planning and implementing activities, and monitoring its operations in the period 2015-2016

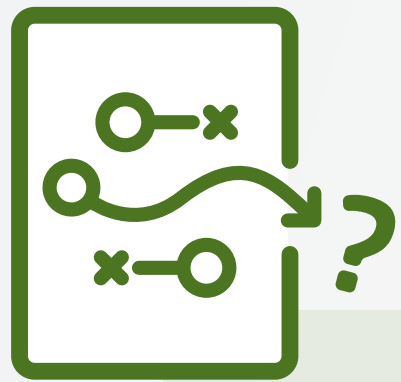
 **230**
employees

 **€ 33M**
revenue

 **€ 1M**
profit in the period 2015-2016



Inefficient planning and monitoring of operations



Marjetica Koper lacked long-term development plan

In its internal acts it failed to regulate:

- **planning procedures** that should be considered when preparing annual plans
- allocation of **sponsorships and donations**
- procedures for identifying **the needs for external contractors**



In its annual plans it **failed to adequately define and justify high non-tax deductible expenses and sponsorship costs**



It failed to define a uniform monitoring procedure for:

- implementation of services provided by **external contractors**; it did not always check all services carried out
- carrying out responsibilities of **recipients of sponsorships**; it did not always check the fulfilment of responsibilities



Financial investments

it failed to set up a monitoring system and **did thus not monitor** the acquired financial investment (company Primorske novice)



it failed to uniformly establish a procedure **for monitoring operations and implementing public utility services**



Inefficient operations of Marjetica Koper



It failed to establish **proper internal control** to ensure:



compliance with the laws governing public procurement,



efficiency and regularity of selection procedures of external contractors and suppliers with respect to internal acts,



mandatory publication of public information



It failed to include in its sponsorship agreements the **provisions for submitting supporting evidence** on fulfilling obligations and commitments in the case of breaches.

INVESTMENT IN THE COMPANY PRIMORSKE NOVICE AND PLANNED INVESTMENT IN THE COMPANY ADRIAFIN (VINAKOPER)

In the financial investment acquiring procedure Marjetica Koper failed to efficiently protect its interest it holds as public company, since it failed to make a suitable analysis and calculation of financial consequences.



€ 122,058
SPONSORSHIPS

of those **€ 68,244** allocated to the football club **FC Koper**



€ 47,504
DONATIONS



In 2016, Marjetica Koper increased its planned expenditure for donations by **€ 19,000**, which it **justified by the increase in the number of applications for people in need**; of that amount, **€ 17,751** was donated to the theatre **Gledališče Koper**.

Marjetica Koper in the period of 2 years allocated:

€ 226,883
FOR NON-TAX DEDUCTIBLE EXPENSE, among others for



38.6 t fruit



2,075 kg prosciutto

and **for picnics and entertainment** for employees

€ 74,749
FOR REPRESENTATION EXPENSES
(hospitality and gifts)



Performance of public utility services of environmental protection



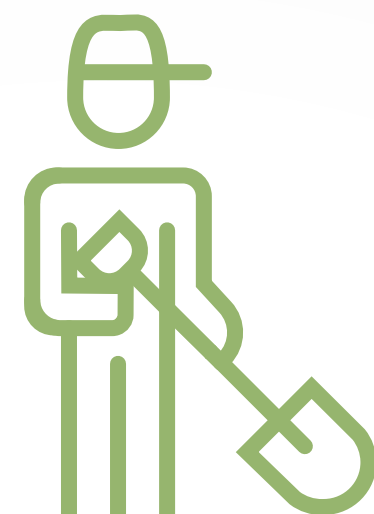
CONTRACTS WITH THE MUNICIPALITY OF KOPER

Contract on **letting public infrastructure** does not comprehensively regulate **rights and responsibilities** of contracting parties, especially regarding **maintenance and renovation**



Marjetica Koper has **public authorization** for managing a cadastre of public utility appliances for sewage systems, for laying down project conditions and issuing consents, but

has not concluded a contract with the Municipality of Koper



By performing **public utility services**, Marjetica Koper **made profit** used **for covering the loss of** its **commercial activities**



UNJUSTIFIED COST

Among **general costs** of public utility services Marjetica Koper also disclosed costs which are **a non-pricing factor of a public utility service costs paid by the user** which **should be defined in internal acts**.

Among **direct costs** of public utility services of environmental protection Marjetica Koper **disclosed unjustified costs**, such as



OPINION OF THE COURT OF AUDIT



Operations of Marjetica Koper in the period 2015-2016 were **only partially efficient.**

REQUIREMENTS

The Court of Audit issued recommendations to Marjetica Koper and required the implementation of corrective measures, among others:



To set up controls for managing **risk** in implementing **services** provided by external contractors



To define the policy of **sponsorship and donations**



To supplement **internal acts** to regulate also **non-tax deductible expenses** and **representation costs**