



REPUBLIC OF SLOVENIA  
COURT OF AUDIT

## AUDIT REPORT

# Efficiency of a part of operations of the Municipality of Ljubljana concerning public-private partnership projects

**Performance audit**

Audit period: 1 January 2009 to 31 December 2016



# Municipality of Ljubljana

by the end of 2016 concluded  
**9 public-private partnership contracts**

## THE COURT OF AUDIT AUDITED 4 PROJECTS

and reviewed **efficiency** of the municipality in the period 2009-2016 in **planning, selecting service providers and controlling PPP projects**.\*



### Stožice Sports Park

construction of stadium, sports hall and commercial centre

**Private partner:** company Grep, d. o. o.

**Private partner contribution:** financial share

**Municipal contribution:** land and financial share



### Zalog Commercial and Administrative Centre

construction of a building that accommodates commercial centre and municipal premises (i.e. library and music school)

**Private partner:** company Spar, d. o. o.

**Private partner contribution:** land and financial share

**Municipal contribution:** land and financial share

### Šiška Extra-care Housing

construction, managing and implementing services for 54 extra-care housing facilities (out of them 10 for the municipality)

**Private partner:** company Mijaks, d. o. o.

**Private partner contribution:** financial share

**Municipal contribution:** land



### Črnuče Sports Park

construction and managing sports beach volleyball hall

**Private partner:** company Ludus, d. o. o.

**Private partner contribution:** financial share

**Municipal contribution:** building right



\* Project Stožice Sports Park only in the part related to control procedures, since the procedure of PPP agreement was reviewed in the audit Regularity of a part of operations of the Municipality of Ljubljana in 2007 and 2008.

# Ambiguities related to public-private partnership



## Public-Private Partnership Act



### – Concepts are not clearly defined

- Public-Private Partnership
- Business Risk
- Public Interest

### – Transfer of risks not clearly defined

- When is a project considered a PPP
- Distinctive element between PPP and public procurement



**Ambiguities affect municipal decision-making on public-private partnership**

# Project Planning



Poorly developed investment documentation affects further PPP project implementation.



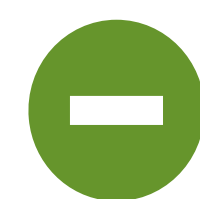
# Selection procedure



**failed to provide** conditions for meeting the principle of **fair competition**



by making the PPP contract the municipality took on the responsibility for **funding of the investment** that **was not foreseen in the decision on PPP**



**deficiencies** in defining measures in **tender documentation**

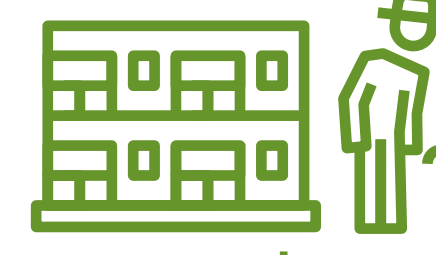


candidates were invited to **submit final tenders** even **before the municipality** in the procedure of competitive dialogue **found and clearly presented the solution** which corresponded to its objectives and needs

Zalog Commercial and Administrative Centre



Črnuče Sports Park



Šiška Extra-care Housing



before recognition of competences the municipality **failed to demand** from the private partner submission of the **supplemented financial plan** with finalised financial structure



**subject matter of the contract** was **poorly defined**, mainly related to the period after the construction



**selected concession instead of public procurement partnership form** of the PPP where at least 3 bidders must be involved in the competitive dialogue



by demanding to supplement final tenders the municipality **went beyond the possibility to provide additional information on tenders** as prescribed by the Public-Private Partnership Act in the process after the completion of the competitive dialogue

**Inappropriate selection of the procedure and poorly developed tender documentation materially affect ensuring competition among tenderers and the possibility of selecting most economically advantageous tenderer.**

# Control over the implementation

failed to ensure that **the foreseen contracts are concluded** and relations between owners are defined

failed to ensure that **contract obligations are appropriately protected**

deficiencies in **awarding building right**

private partner **was not charged contractual penalty** or it was **charged too late** and municipality **failed to realise financial insurance** or it failed to meet the deadlines



failed to thoroughly define the **control over the implementation** of the project after the construction

**some contracts** were **made after the completion of works** and also included additional work not defined under the subject matter of the PPP

municipality foreseen its own financial share and **went beyond the provisions of PPP act**

municipality **allowed the increase of the contract value** for more than 50 percent of the planned value

**poor reporting** on the implementation of the PPP projects as well as **poor financial control**

when releasing buildings for use it **failed to define management costs** and other costs related to operation

Poor definitions and implementation of control do not provide for appropriate insurance of rights of the public partner in case of improper performance of the PPP projects

# OPINION OF THE COURT OF AUDIT

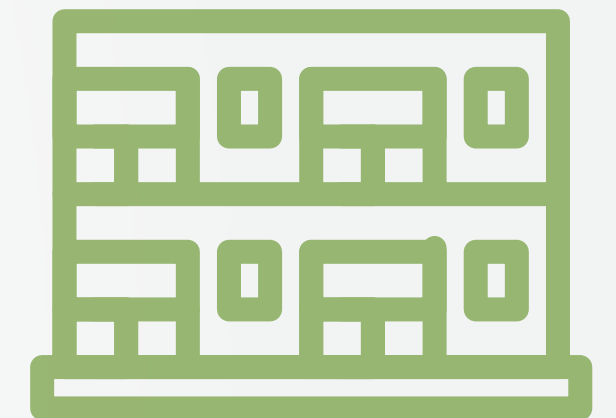
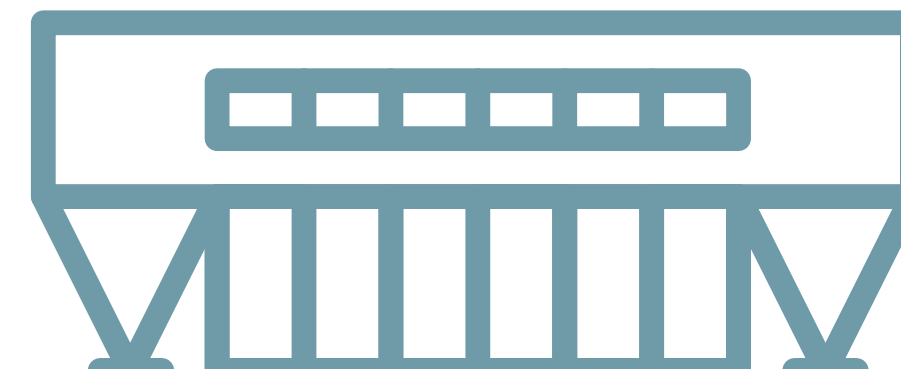


The Municipality of Ljubljana was **partially efficient** in **implementing public-private partnership projects**.



During the audit implementation, several activities were undertaken to adopt appropriate corrective measures.

## RECOMMENDATIONS



The Court of Audit proposed 12 recommendations to the Municipality of Ljubljana, among them also:



before the decision on PPP the municipality should carry out an analysis about the appropriate form of PPP and better justify the right to implement PPP projects



when selecting a private partner it should pay attention to the financial capacity of the private partner and check financial sources



before the implementation of the PPP projects it should receive complete investment and project documentation



when planning PPP projects it should distribute risks, namely the one who bears the risks, is the one who can manage them better



it should clearly define subject matter in PPP contracts



it should provide for timely action in case contractual obligations were not met