



REPUBLIC OF SLOVENIA  
COURT OF AUDIT

## AUDIT REPORTS

# **Regularity of operations of municipalities concerning the operations of a municipal council, pertaining to the representation expenses and the use of service payment cards**

**Regularity audit**

Audit period: 1 January 2015 to 31 December 2017

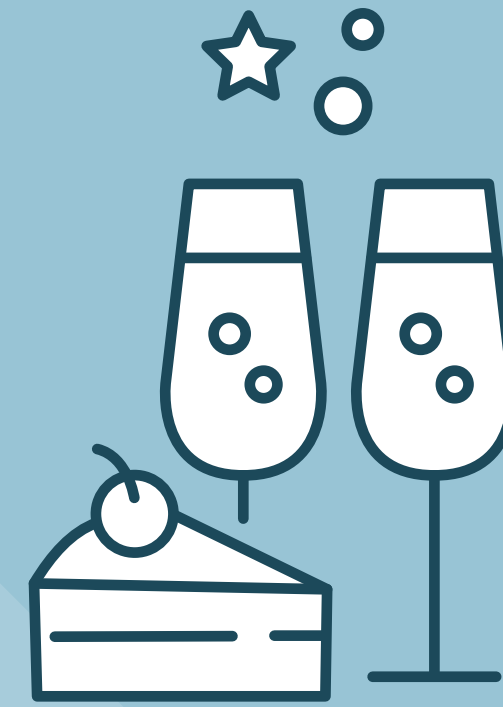
# What and why was audited?

Those operations of municipalities are not material in value, nevertheless the Court of Audit reviewed:



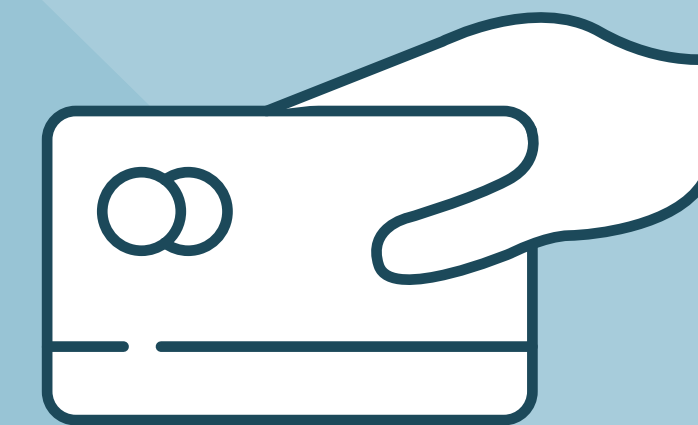
## Operations of a municipal council

- content of **the financial plan of a municipal council**
- **correctness** of accounting and paying **attendance fees**
- **purposes of the use of funds** relating to operating costs of a municipal council or councillor groups
- **transparency** of funds use



## Representation expenses

- **regulation** of the field
- **purposes** of the use of funds
- **records** of the use of funds
- **unified presentation** of expenditures
- **transparency** of funds use



## Use of service payment cards

- **regulation** of the field
- **purposes** of the use of funds
- **records** of the use of funds
- **transparency** of funds use

# Audited municipalities



## expenditures by audited fields in the period 2015-2017

	members of a municipal council	councillor groups	local communities	total expenditures of a municipality in the period 2015-2017	operations of a municipal council	representation expenses	use of service payment cards
Jesenice	28	0	7	€ 52.3 M	€ 236,477	€ 114,215	€ 27,722
Kamnik	29	8	22	€ 76.9 M	€ 263,790	€ 70,171	€ 16,099
Krško	30	0	16	€ 99 M	€ 255,006	€ 251,402	€ 35,425
Radovljica	26	11	12	€ 49.7 M	€ 330,077	€ 95,784	€ 37,574
Sežana	20	13	12	€ 40.4 M	€ 181,282	€ 182,409	€ 23,569
Zagorje ob Savi	25	0	13	€ 47.7 M	€ 174,901	€ 142,820	€ 13,442

# Operations of a municipal council

## Financial plan



Regulations do not define what should be included in the financial plan of a municipal council.

It would be appropriate to include only expenditures related to operations of a municipal council:

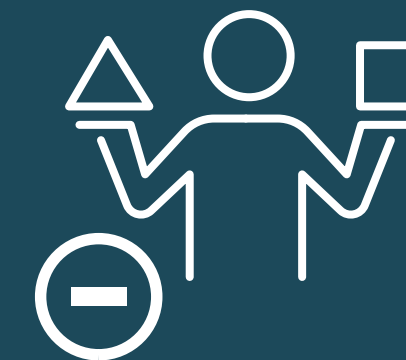
- attendance fees for **members of a municipal council** and **the municipal council's working bodies** and reimbursement of (travel) costs
- **material costs** of a municipal council
- expenditures for **councillor groups**
- expenditures for financing of **political parties**



Expenditures presented in the financial plan of a municipal council do not reflect actual scope of expenditures related to the operations of the municipal council

Municipalities presented expenditures by purposes **not directly related to the operations of the municipal council**, but to the municipality as a whole

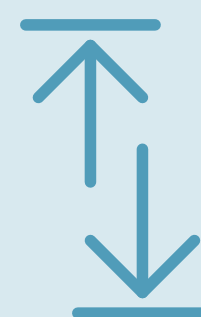
- ✗ **membership fees**
- ✗ **municipal awards and prizes**
- ✗ **publishing regulations and issuing municipal newsletter**



Comparison among municipalities is not possible due to inconsistent presentation of expenditures in financial plans of municipal councils.

## Attendance fees

### Differences in the amounts of attendance fees among municipalities



The highest attendance fee (€ 276.22) defined for attending a regular meeting is almost **double the lowest attendance fee (€ 152.33)**.

The highest attendance fee (€ 74.47) defined for attending a regular meeting of the municipal council's working bodies is more than **twice as high as the lowest attendance fee (€ 22)**.



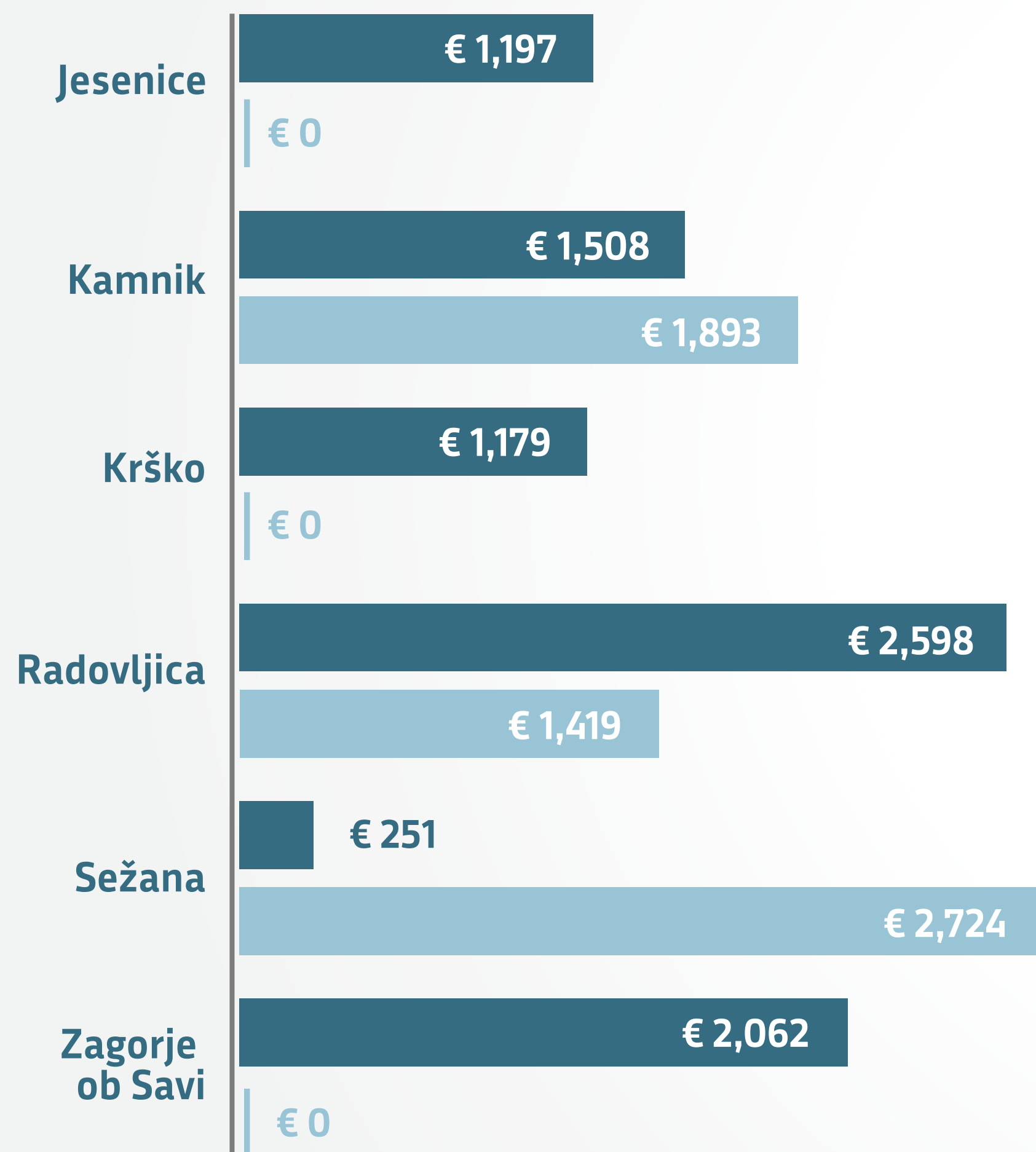
Some municipalities **exceeded legally defined annual limit of attendance fees paid** to a member of the municipal council.



Some municipalities **paid too high or too low attendance fees**.

# Operations of a municipal council

## Funds used per member of the municipal council



### Material costs of a municipal council

- photocopying, upgrading the system for conducting meetings, multimedia services
- representation expenses, protocol gifts
- official ceremony marking the municipal celebrations
- expenditures not belonging to the financial plan of the municipal council

### Expenditures for the operations of the councillor groups

- purchase of computer equipment
- providing administrative and expert assistance
- rents
- representation costs
- stationery
- advertising, publishing notices and postage



irregularities in public procurements



use of funds for purposes **not based on valid regulations**

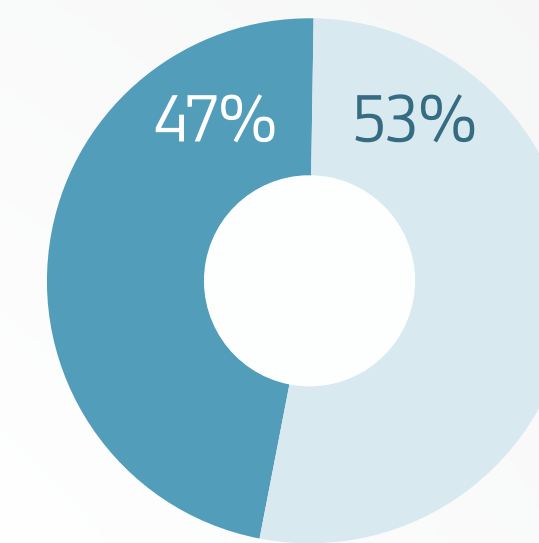
# Representation expenses



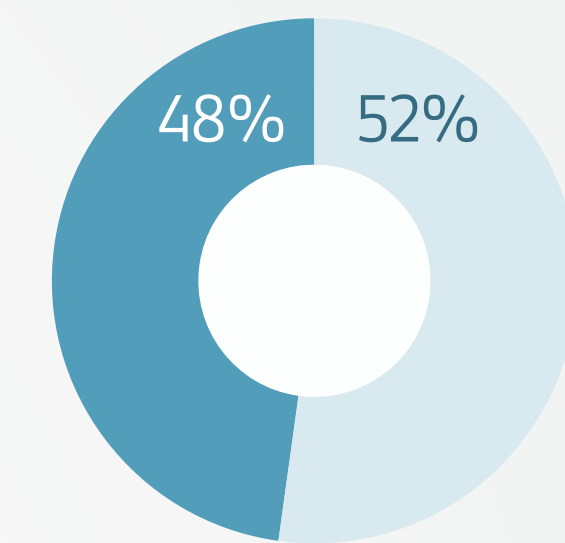
The regulations about public finance and local self-government do not define the representation expenses.

In principle, those are costs incurred due to cooperation of members of municipal bodies, employed in municipal administration, and members of the local community councils, while carrying out municipal tasks, with external partners, i.e.:

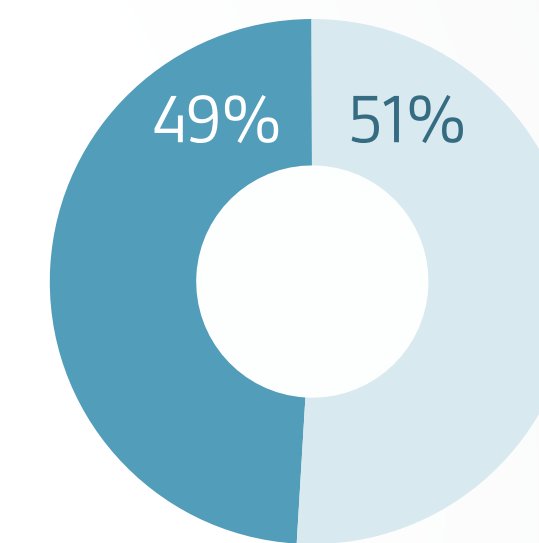
- **business partners**
- **representatives of other municipalities**
- **representatives of delegations, organisations and institutions**
- **citizens**



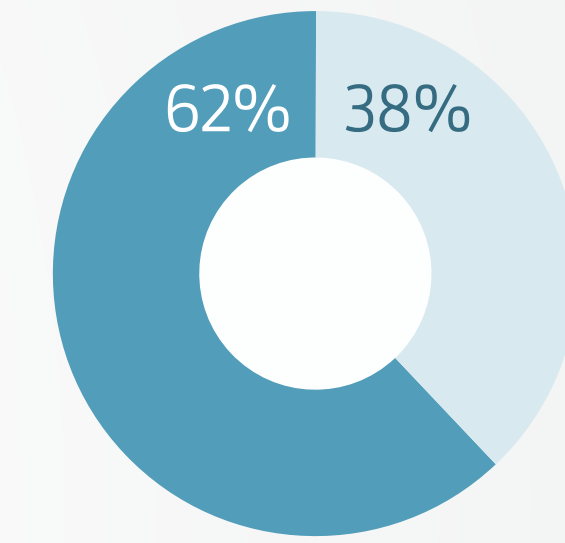
Jesenice



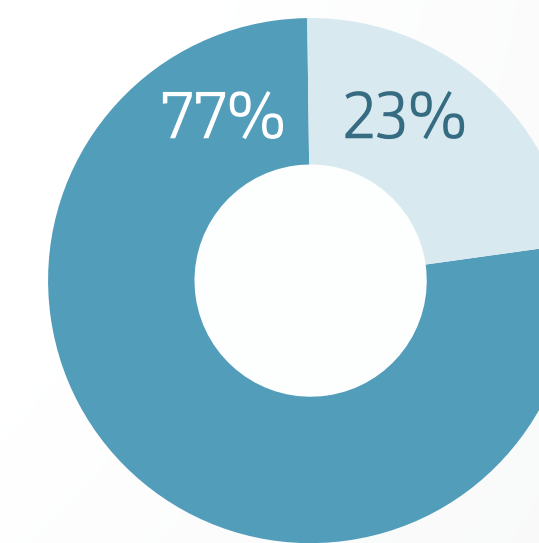
Kamnik



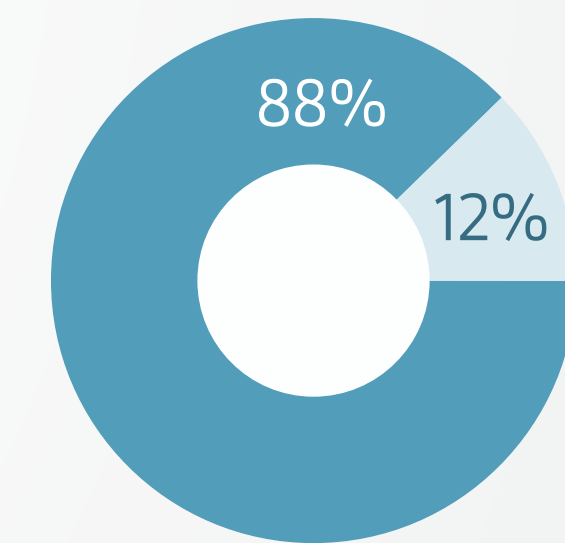
Krško



Radovljica



Sežana



Zagorje ob Savi

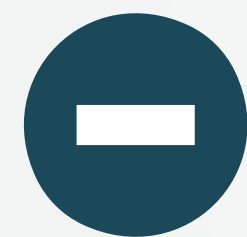
municipality local communities

# Representation expenses

## Non-eligible expenditure



are costs for banquets and honorary gifts intended **for members of municipal bodies, members of the local community councils, and employees of municipal administration.**



**Valid regulations do not provide legal basis for their payment.**

non-eligible expenditure — out of all presented expenditures



# Representation expenses

## Municipal decree



Most municipalities **did not adopt an internal decree** defining representation expenses, limits and methods of monitoring the use of funds.

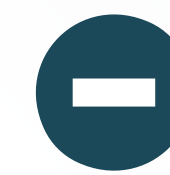
According to the opinion of the **Court of Audit**, it would be appropriate to **define the purposes** of the representation expenses, **the limits of the scope of available funds** per purpose and methods of **monitoring the use** of those funds.

## Records of the use of funds

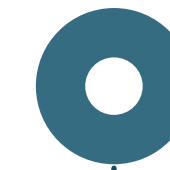


Most municipalities **did not keep records** of goods used for banquets or gifts given to external partners.

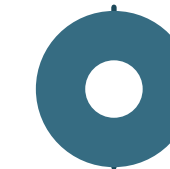
According to the opinion of the **Court of Audit**, it would be necessary that the **municipalities keep records** of goods used for representation (at least by indicating an event).



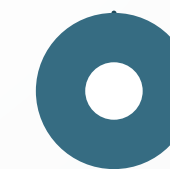
irregularities in **public procurements** of goods and services



expenditures presented **do not reflect actual scope of expenditures** for representation



municipalities among representation expenses present **also expenditures** that according to economic purpose **should be listed under more appropriate sub-accounts**



**comparisons** among municipalities **not possible**





## Use of service payment cards

### service payment cards used for purchasing goods at the service stations

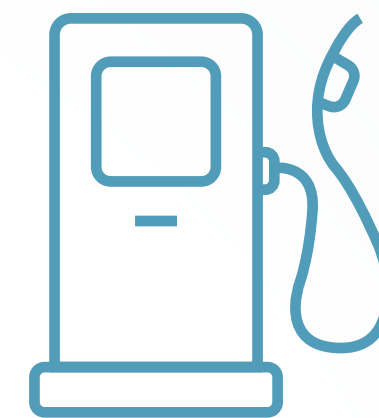
(obtained by all municipalities, in 2 municipalities also by their local communities)

### service business card

(obtained by 2 municipalities, in 1 municipality also by the local communities)

Only **4.8%** of **expenditures** covered by service payment cards **relate to local communities.**

According to the opinion of the Court of Audit, it would be appropriate to **assess the necessity that local communities use the service payment cards.**



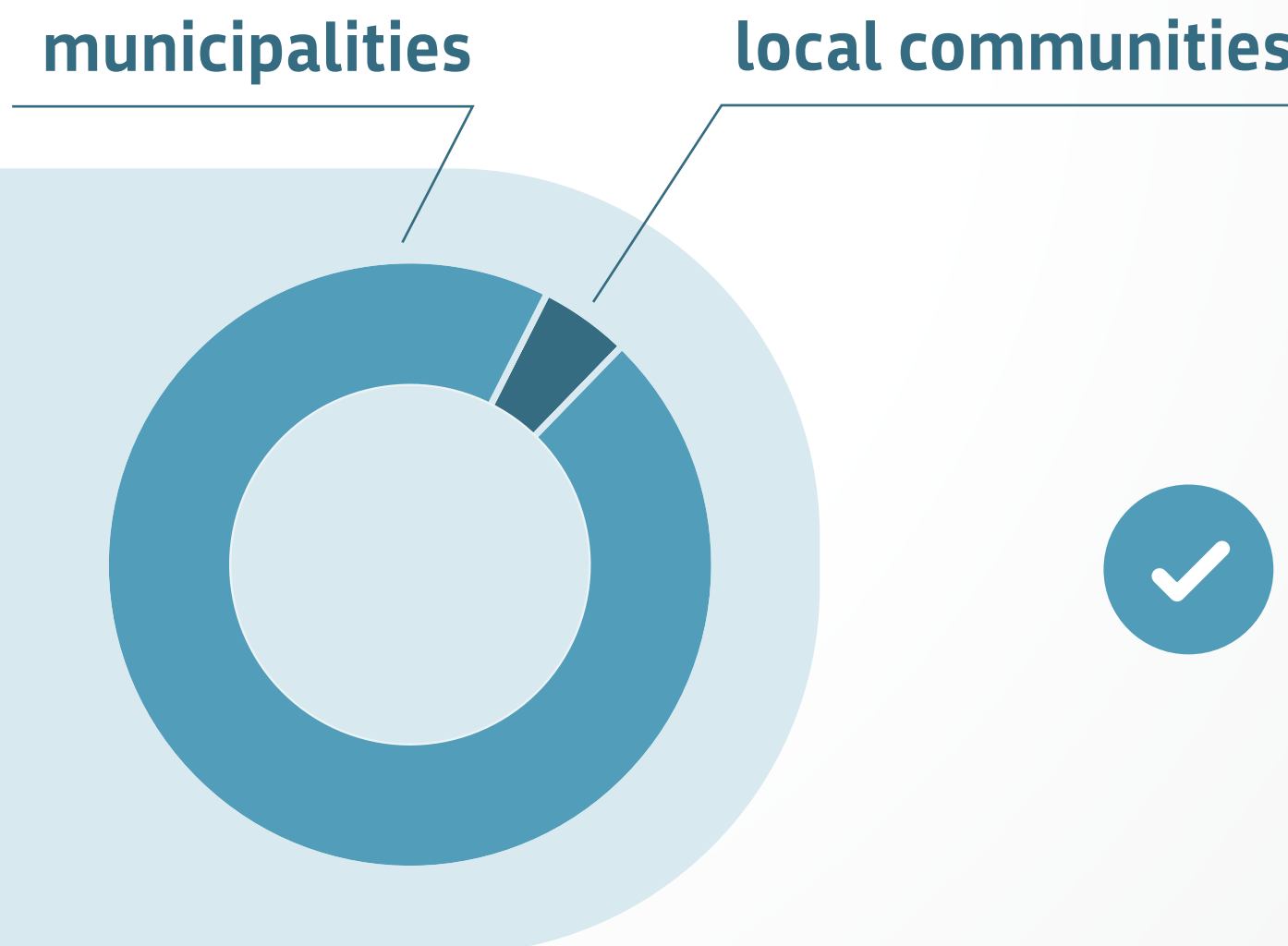
fuel



vignette



care and maintenance products for vehicles



**material irregularities were not found**

# AUDIT CONCLUSIONS



## OPERATIONS OF A MUNICIPAL COUNCIL

- **lack of unified approach** to presenting expenditures in a financial plan of a municipal council
- **irregularities related to public procurements**
- funds used for **unjustified purposes**
- **incorrect payments of attendance fees**



## REPRESENTATION EXPENSES

- **purposes** of the use of funds **were not defined**
- funds used for **unjustified purposes**
- **records** of the use of funds **were not set up**
- **lack of unified approach** to presenting expenditures



## USE OF SERVICE PAYMENT CARDS

- **purposes** of the use of funds **were not defined**
- **records** of the use of funds **were not set up** for each payment card

## OPINION OF THE COURT OF AUDIT

- The Court of Audit expressed to **all 6 audited municipalities** **a qualified opinion** on the regularity of operations of municipalities concerning the operations of a municipal council, pertaining to the representation expenses and the use of service payment cards.

## IMPLEMENTED CORRECTIVE MEASURES



**settling too high or too low attendance fees** to members of the municipal council's working bodies



**adopting internal decree** defining representation expenses



**setting up a record of goods used** for representation at working meetings with external partners



**setting up a record of honorary gifts** given



**adopting internal decree** defining use of **business payment cards**

# RECOMMENDATIONS

To reduce risks of unjustified use of public funds and to provide for transparency of the funds use and their correct presentation, the Court of Audit recommended to:

## municipalities



to plan and present in the financial plan of municipal council **only the expenditures directly related to the operations of the municipal council** as one of the municipal bodies



to regulate in the internal decree the use of **service payment cards**



to pay more attention to the **correct presentation of expenditures according to their economic purpose**



to pay more attention to the **implementation of control over the operations of local communities** related to representation expenses and the use of funds covered by service payment cards

## Ministry of Finance

in cooperation with the Local Self Government Service at the Ministry of Public Administration responsible for systemic regulations related to organisation, operation and financing of local self-governments it should **consider the appropriateness to amend rules on public finance and local self-government**, namely:



**defining contents to be included in the financial plan of a direct spending unit;** the message on the scope of funds actually related to a direct spending unit becomes relevant and thus the comparison among municipalities is possible



defining content of a sub-account in such a way **to be clear which are the purposes of the expenditures presented under certain sub-accounts** according to the Rules on the single chart of accounts for the budget, budget spending units and other entities under public law



**defining representation expenses** in a municipality



necessity to regulate the **use of funds for representation** and **the use of service payment cards** in a municipality