



REPUBLIC OF SLOVENIA
COURT OF AUDIT

AUDIT REPORT

Regularity and performance of a part of operations of the Municipality of Velenje concerning public-private partnership projects

Regularity and performance audit

Audit period: 1 January 2009 to 31 December 2015

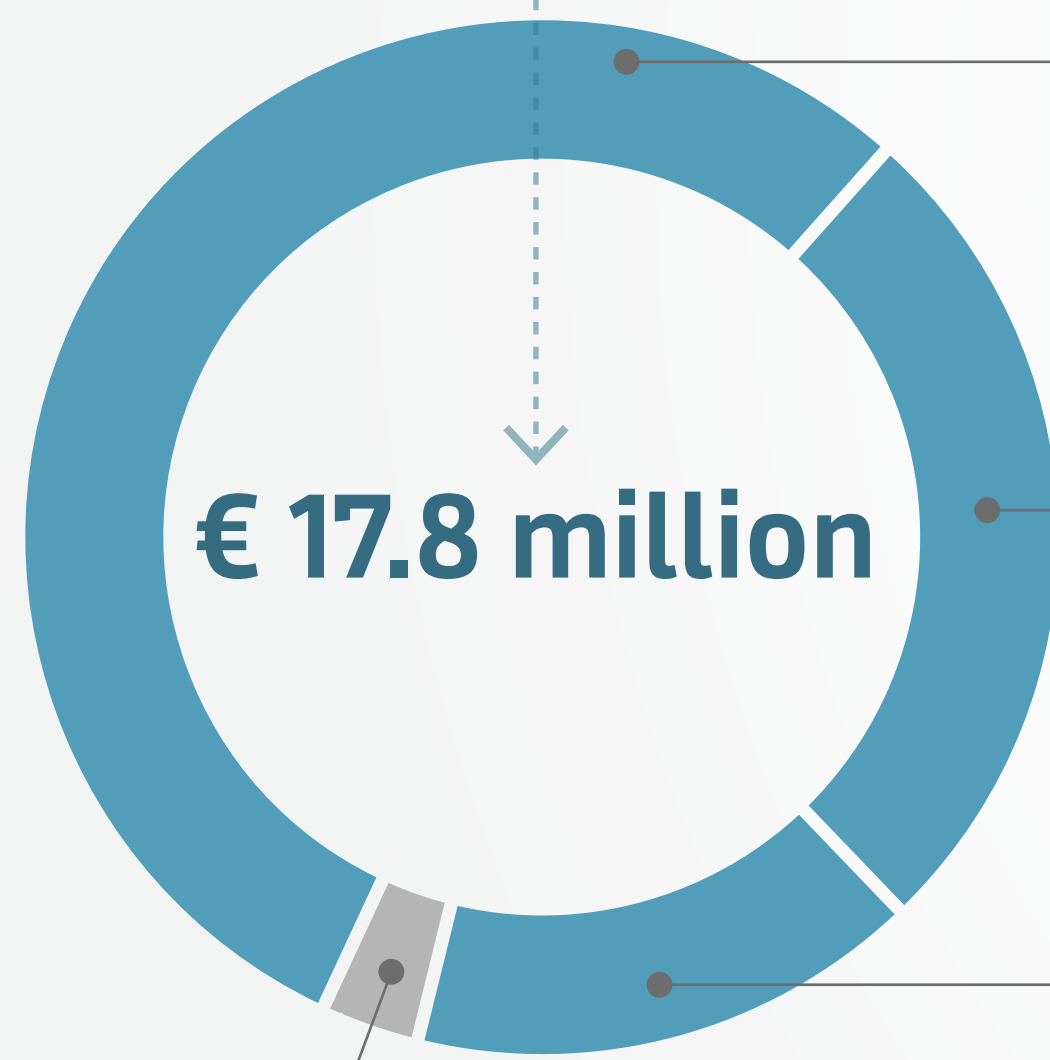


Municipality of Velenje

in the period **2009-2015** had € 267 million expenditure of which **for public-private partnership** were spent

AUDIT REVIEWED

regularity of municipal operations in the period and **efficiency** in **planning, selecting service providers and controlling performance** of **3 major PPP projects** that cover public utility services.



€ 0.5 million
other 3 project not included in the audit

€ 9.7 million

concession for maintenance of roads
service provider: PUP Velenje, d. d.
period covered: 2009–2024

by 2015

final costs defined by the contract >

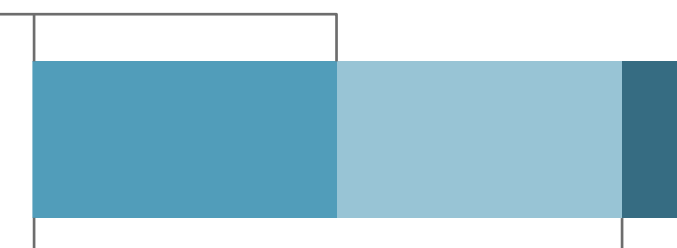
assessment of actual final costs

+ € 0.8 million

€ 27.8 million

€ 4.7 million

concession for maintenance of public areas
service provider: Andrejc, d. o. o.
period covered: 2010–2020



+ € 0.9 million

€ 9 million

€ 2.9 million

concession for urban transport and transport for pupils
service provider: Izletnik Celje, d. d.
period covered: 2012–2020



+ € 0.1 million

€ 7.2 million



Ambiguities in the field of public utility services and PPP

PUBLIC UTILITY SERVICES ARRANGEMENTS

 **Public-Private Partnership Act**

- not clearly defined relation between PPP and public utility
- election procedure of a service provider in the field of public utility is defined in **several regulations**, relations between them **are not clearly laid down** (lack clarity)

– Concepts are not clearly defined

- Public-Private Partnership
- Business Risk
- Public Interest



– Transfer of risks not clearly defined

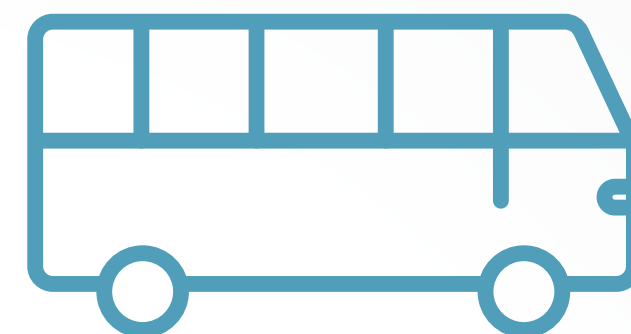
- When is a project considered a PPP
- Distinctive element between PPP and public procurement

Ambiguities affect municipal decision-making on public-private partnership



Project Planning

CONCESSION FOR
URBAN TRANSPORT AND
TRANSPORT FOR PUPILS



incomplete investment documentation



CONCESSION FOR
MAINTENANCE OF
ROADS

- ➖ merging different activities into one project **not justified**
- ➖ risks were not identified or poorly defined
- ➖ foreseen **increase of contract value** due to costs growth rates **not explained**

Inadequate definitions of key elements of projects in the planning phase materially affect further PPP project implementation.

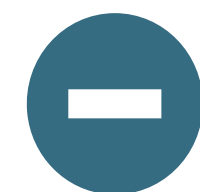


CONCESSION FOR
MAINTENANCE OF
PUBLIC AREAS

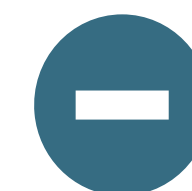
Selecting service providers



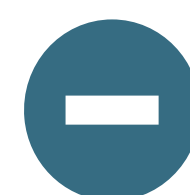
Insufficient provisions of the tender documentation and inappropriate selection procedure materially affect ensuring competition among bidders and possibility of selecting economically advantageous tender (regarding needs of the municipality and expectations about the investment).



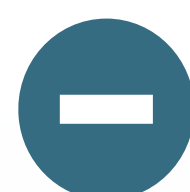
In the invitation to tender the **subject matter of the concession was not clearly defined**, since it lacked **geodetic survey of roads**



competitive dialogue **should be completed as not successful**, since **minimal condition of 3 candidates** was not met



procurement documentation included **inacceptable** provisions **regarding ensuring competition** among bidders



assessed value of the project was not appropriate, since it was based on **cost assessment** that **was not substantiated**



Control over the project implementation



— insufficiently defined and implemented **financial control**


— insufficient reporting in **annual financial statements of the budget**

Poorly defined controls do not provide review of activities implementation with regard to transparency in performance, use of funds and costs.

OPINION OF THE COURT OF AUDIT

 The Court of Audit expressed a **qualified opinion** on **regularity of a part of operations of the Municipality of Velenje** concerning public-private partnership projects


 **Performance** of a part of operations of the Municipality of Velenje concerning public-private partnership projects was assessed as **partially efficient**.


 During the audit activities were undertaken in order to adopt appropriate corrective measures.



RECOMMENDATIONS


The municipality should:

 pay more attention to setting the objectives and effects as well as monitor their implementation

 define in detail how risks are divided between public and private partners

 present overall implementation of concession contracts in budgetary acts

 analyse appropriateness of merging activities by ensuring competition

 before awarding concessions review and analyse possible forms of undertaking public utility services and PPP projects

 strengthen financial control

 update municipal council on project implementation

