



REPUBLIC OF SLOVENIA
COURT OF AUDIT

AUDIT REPORT

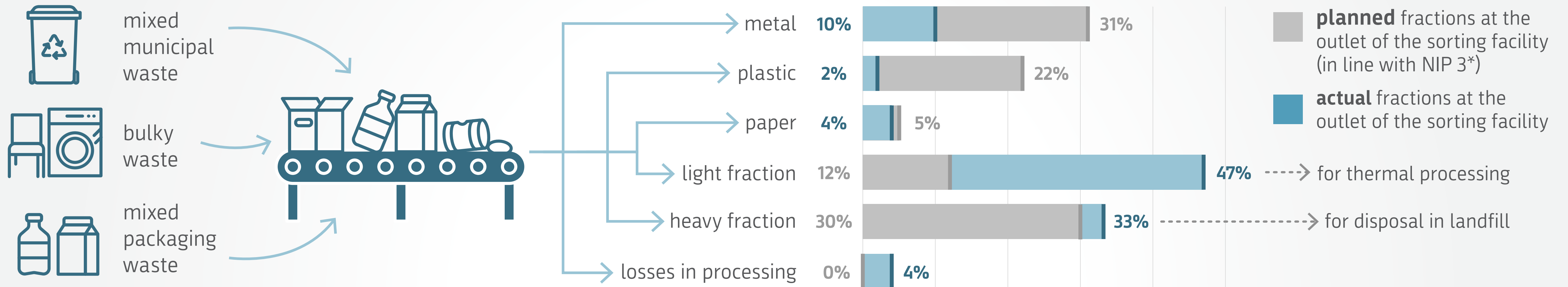
Efficiency of implementing the investment in the mixed municipal waste processing device

Performance audit

Audit period: 1 January 2016 to 30 June 2020







Newly constructed municipal waste sorting facility of the company Snaga Maribor



Operation of the sorting facility does not meet foreseen environmental and economic objectives:

AUDITED WAS





-   during trial operation period, the **planned volume** of processed municipal waste **was not met**
-   the **planned structure of municipal waste** at the outlet of the sorting facility **was not met**
-   the **planned business outcome** was not achieved

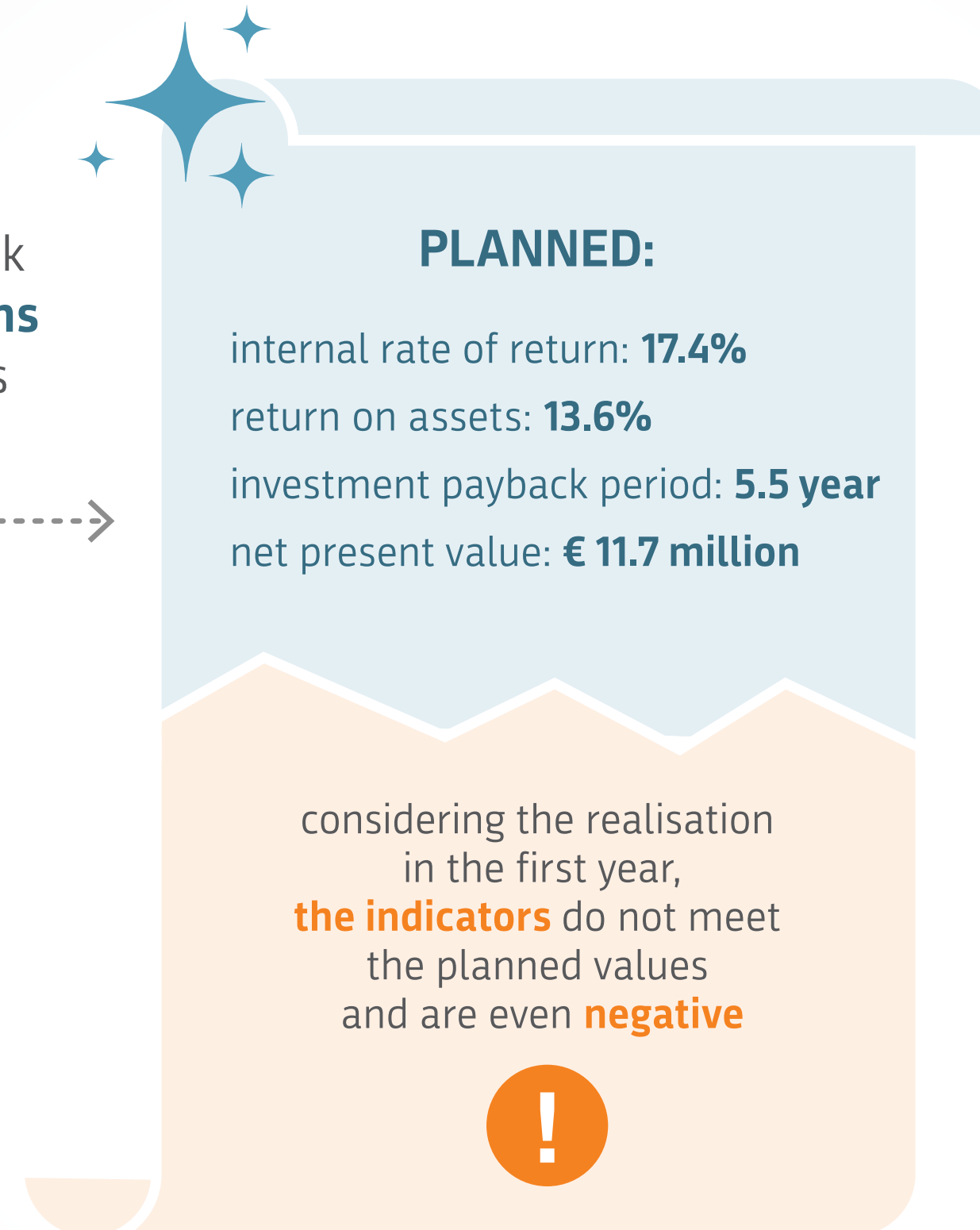
- Efficiency of the **Municipality of Maribor in managing and supervising** the company Snaga when implementing the investment in the sorting facility
- Efficiency of the **company Snaga in implementing the investment** in the sorting facility

Municipality of Maribor was inefficient in managing and supervising the company Snaga* when implementing the investment in the sorting facility




*Snaga is in full ownership of 10 municipalities

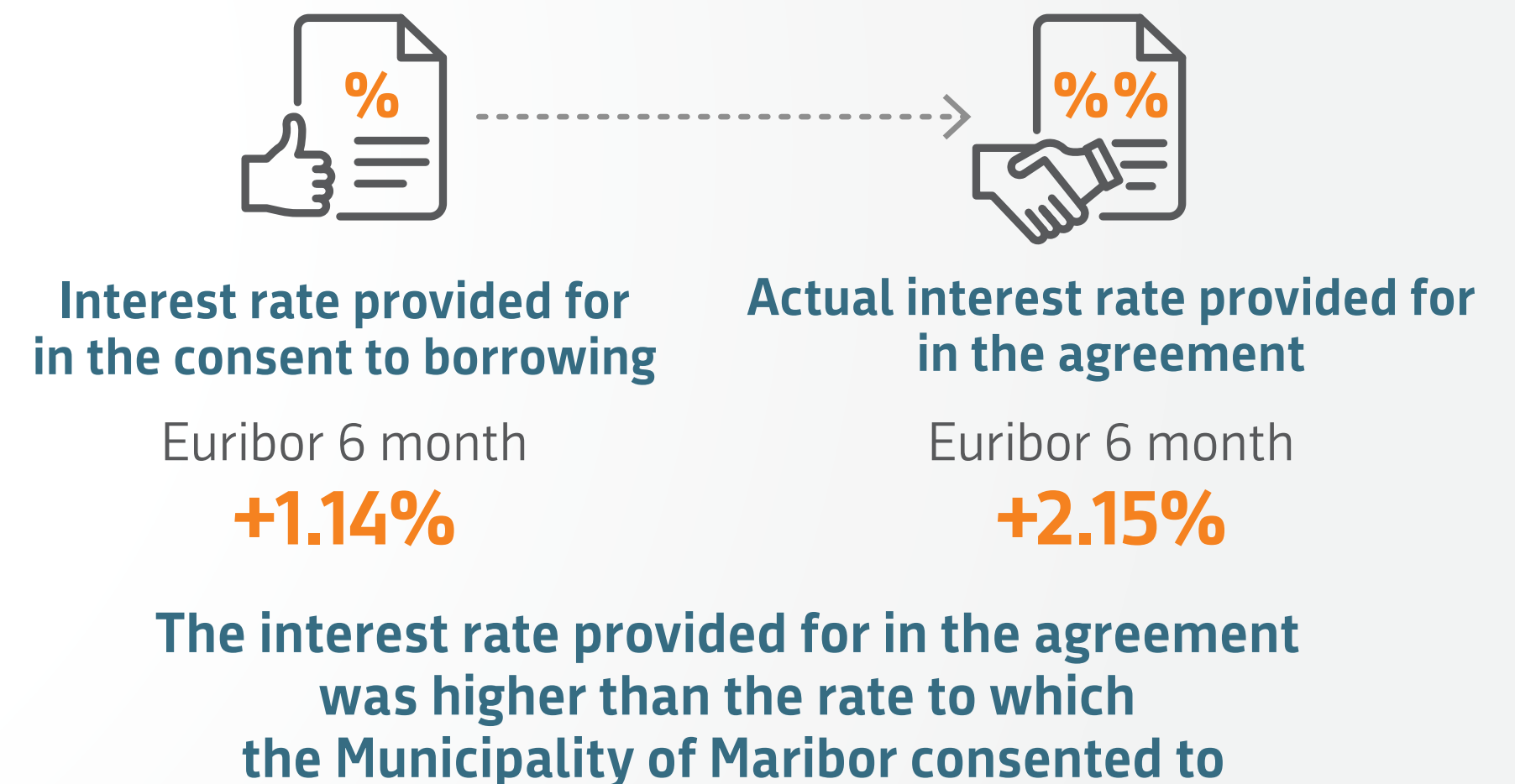
Financing of construction


-  with the company Snaga as investor taking out a bank loan, **the Municipality of Maribor avoided restrictions regarding borrowing** due to the lack of its own funds
-  prior to issuing the company Snaga consent to borrowing, the municipality **failed to examine all possible** and perhaps more optimal **methods of financing**
-  **failed to preliminary assess** the rationale of implementing the project as **public-private partnership**
-  prior to issuing consent to borrowing, the municipality **failed to examine whether the foreseen technological parameters for the sorting facility are realistic**





Ensuring optimal operation

-  The Municipality of Maribor **failed to sufficiently manage and supervise the company Snaga** when
 -  **adopting measures** for ensuring foreseen operation of the sorting facility
 -  **concluding annexes** to loan agreements



 The Municipality of Maribor **implemented certain measures** for improving the performance of results and financial standing of the sorting facility **already during the audit**, among others:

 it carried out activities for increasing the volume of processed waste (in cooperation with the company Snaga)

 it set a reasonable single price for the implementation of a public utility service

Snaga failed to implement an investment in the sorting facility in line with the plan

- the realized investment value was higher than provided for in the agreement
- the company Snaga **incorrectly presented** to the Municipality of Maribor **the total value of the investment** for which the municipality gave consent to borrowing

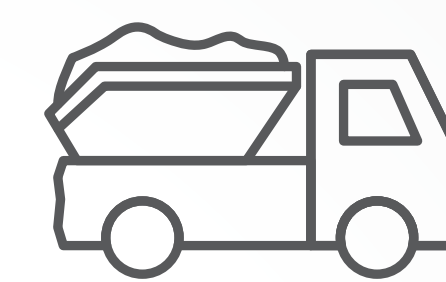


- **excessively long procedures for obtaining permits** (environmental consent, construction permit, environmental permit)



deadline was exceeded for 607 days!

Snaga failed to collect the planned quantities of municipal waste



planned
39,120 t/year

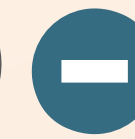
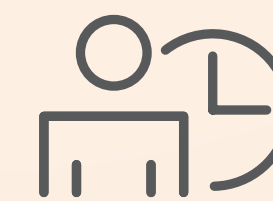


actual quantity
28,723 t/year

- the number of municipalities included in the system did not **increase** after the construction of the sorting facility
- the company Snaga **failed to meet the planned quantity** of mixed packaging waste



By changing the environmental permit, the company Snaga **achieved an increase in the allowed quantity of collected waste per year**, namely from **39,000 t to 53,560 t**



yet, the sorting facility **is still allowed to operate only in one shift** as in accordance with the environmental permit, therefore not facilitating even the quantities foreseen prior to the change!



Environmental objective of the sorting facility operation not met



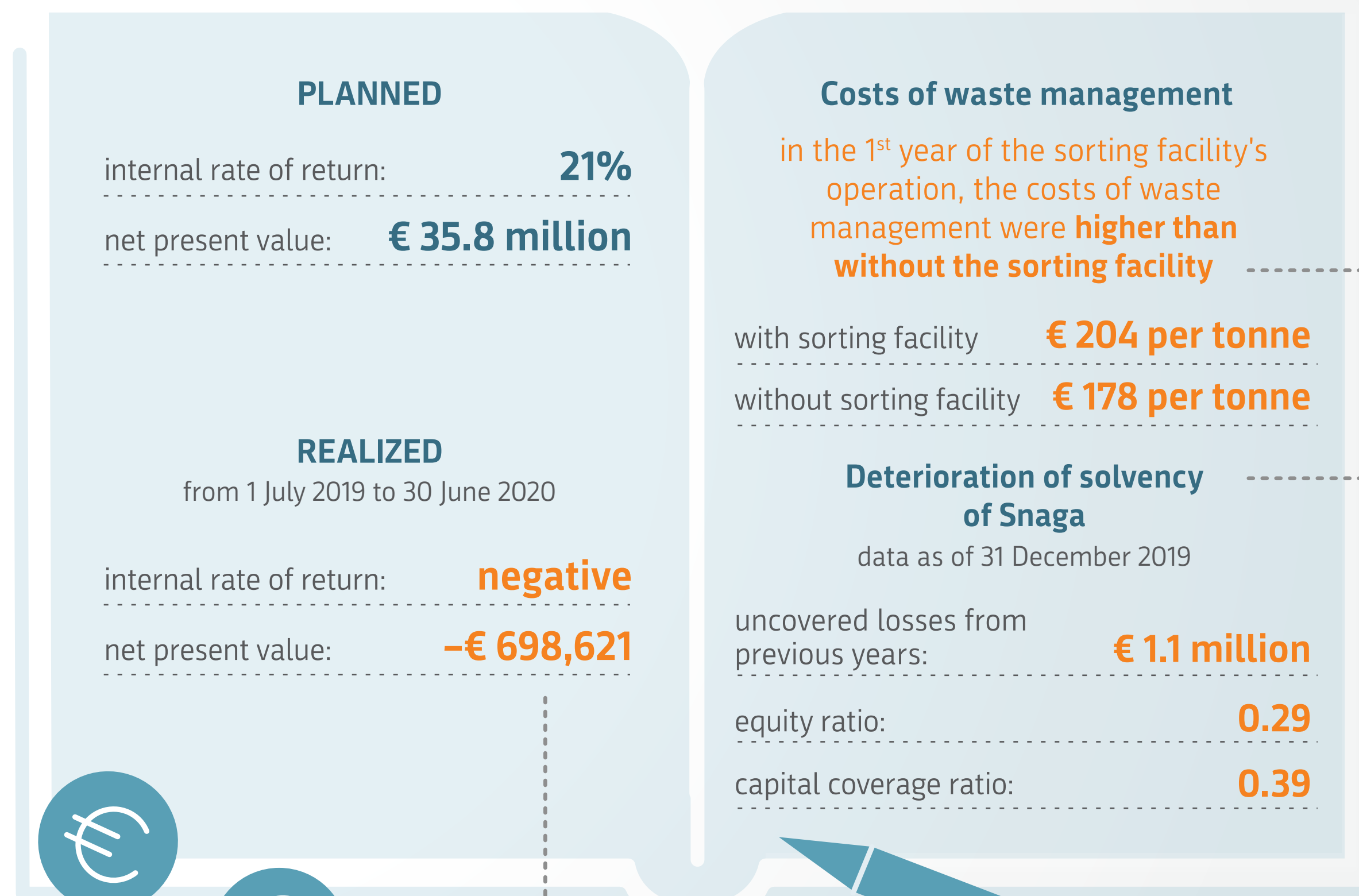
The share of obtained useful fractions that can be recycled or materially recovered **is well below the planned share**



The company Snaga does not meet business and financial objectives pertaining to the operation of the sorting facility

Negative business outcome

Negative financial indicators considering current business operation



There is a risk that the **company Snaga will not make sufficient operating profit**, namely in the same scope as it has to date.

OPINION OF THE COURT OF AUDIT

- The **Municipality of Maribor** was **partially efficient** in managing and supervising the company Snaga when implementing the investment in the sorting facility.
- The **company Snaga** was **partially efficient** in implementing the investment in the sorting facility.
- ✓ The Municipality of Maribor and the company Snaga **implemented certain measures already during the audit.**

DEMANDS



The **Municipality of Maribor** must, together with the company Snaga, **supplement the concession contract.**

RECOMMENDATIONS

The Municipality of Maribor should:

- **prepare an analysis of meeting the requirements** for granting and implementing the concession on the basis of an in-house exception
- **monitor financial standing of the company Snaga**
- participate in activities for **financial restructuring of debt held by the company Snaga**, if necessary

The company Snaga should:

- carry on with activities for being awarded new contracts for **managing additional amounts of waste**
- **follow the findings of the analysis of meeting the requirements** for implementing the concession on the basis of an in-house exception
- explore and examine new possibilities for **increasing the efficiency of working processes and technical operation of the sorting facility**