



REPUBLIC OF SLOVENIA
COURT OF AUDIT

AUDIT REPORTS

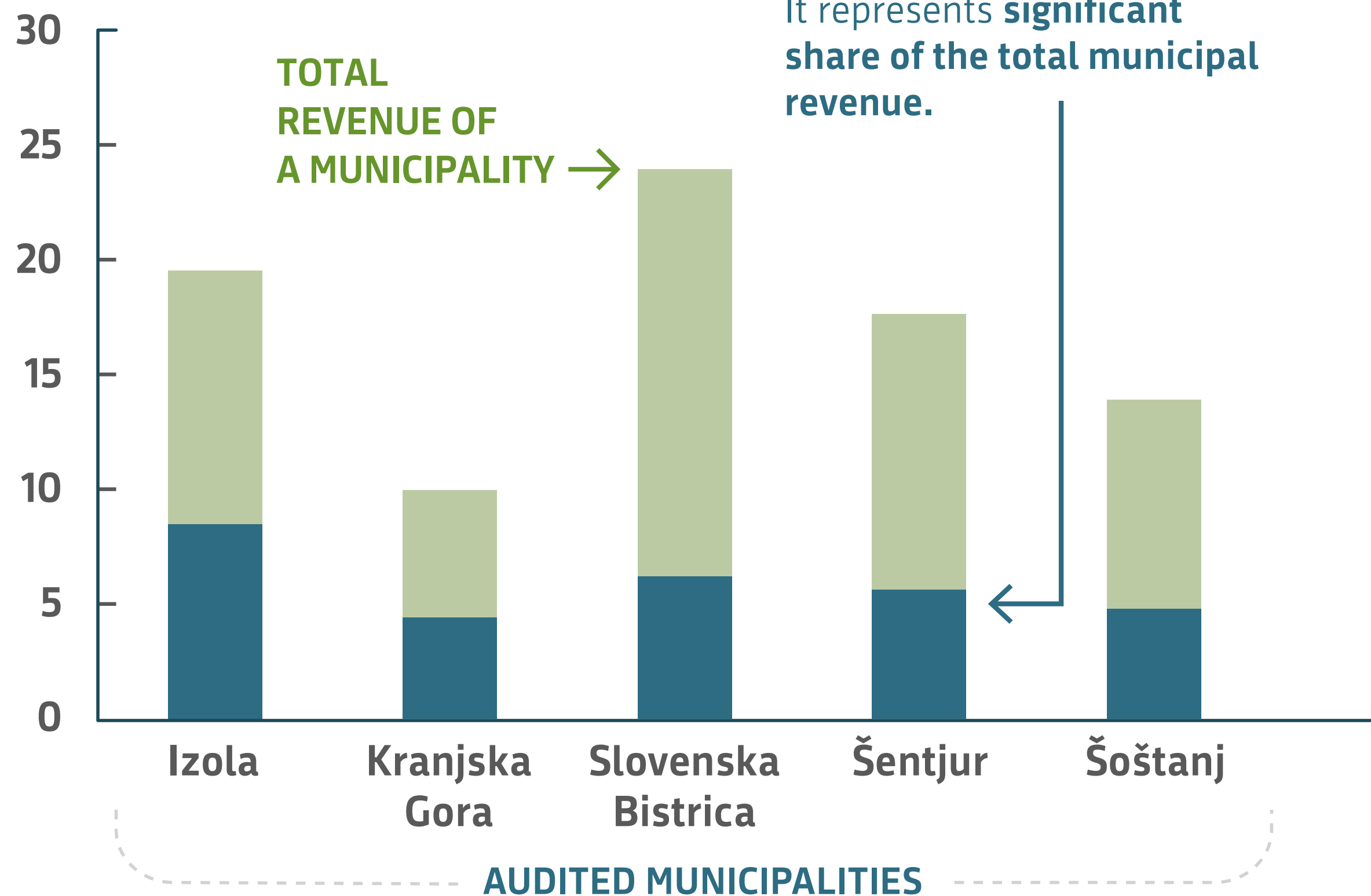
Assigned revenue in the municipalities: Izola, Kranjska Gora, Slovenska Bistrica, Šentjur and Šoštanj

Performance audit

Audit period: 1 January 2018 to 31 December 2018

Did all 5 municipalities set up an efficient system of obtaining and using the assigned revenue

Revenue in the municipal budgets in million €

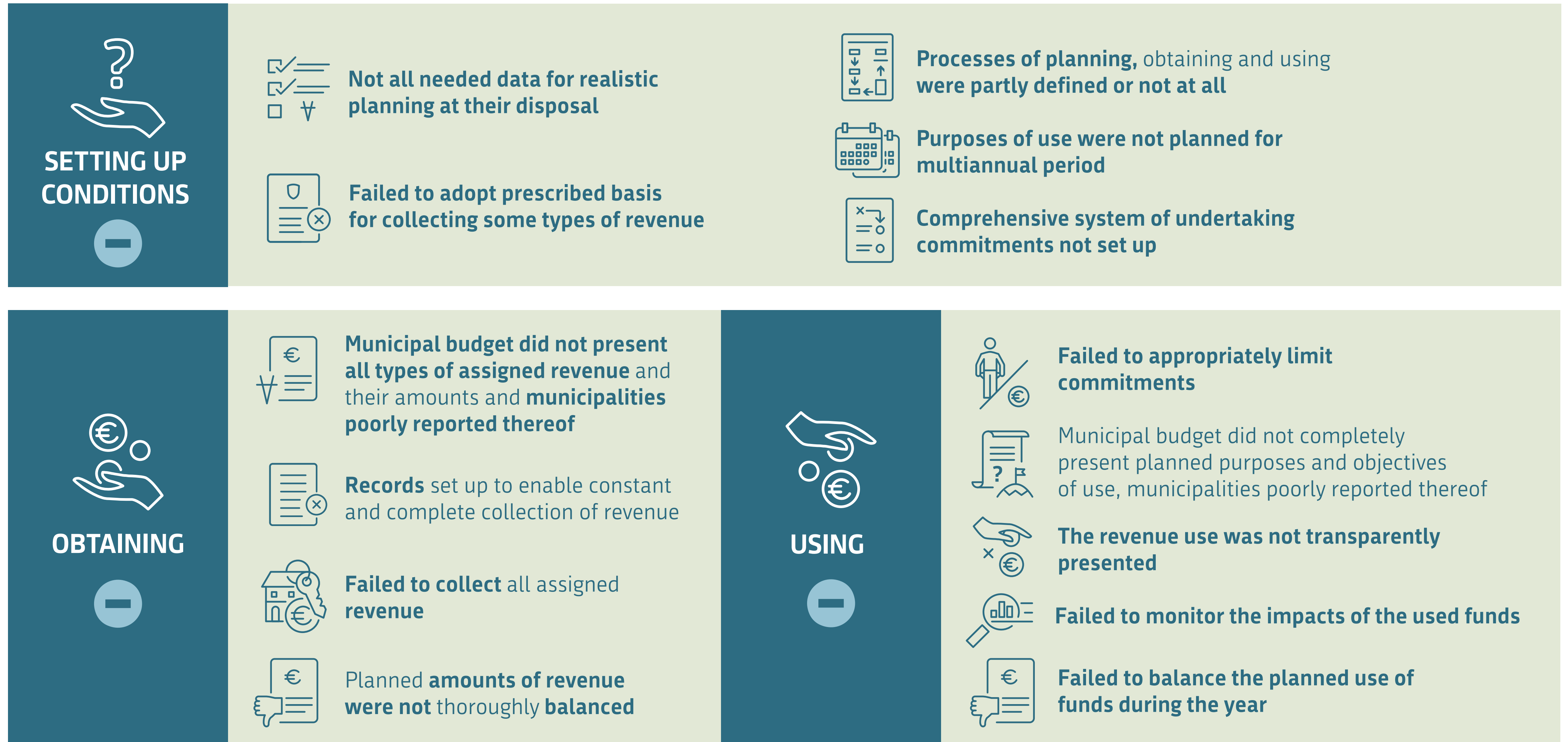


ASSIGNED REVENUE

municipal revenue with predetermined purposes of expenditure. It represents **significant share of the total municipal revenue.**



Inefficiencies of municipalities in managing assigned revenue



Systemic obstacles affecting operations of the municipalities related to assigned revenue

AMBIGUITY OF THE ASSIGNED REVENUE

Ministry of Finance believes that municipalities recognise the status of assigned revenue as defined in the sectoral regulations by defining it in their legal acts.



Namely, **municipalities can decide by themselves** how the revenue is spent, **even though the use is prescribed by the law.**

The Court of Audit is of the opinion that in case the **regulation defines a revenue as assigned revenue, the municipality cannot be allowed** to decide whether to use it as such or not.



WEAKNESSES OF THE ASSIGNED REVENUE SYSTEM



Many different types of assigned revenue which need appropriate records and for which limitations of their use have to be considered, although their purpose is usually **defined too broad.**



EXAMPLE: Concession fee for organising specific forms of gambling services offered in Casinos can be used for improving the landscape and tourism infrastructure – almost all **purposes which must be provided by municipalities.**



Also defined for purposes for which a municipality is obliged to provide funds regardless the assigned revenue used.



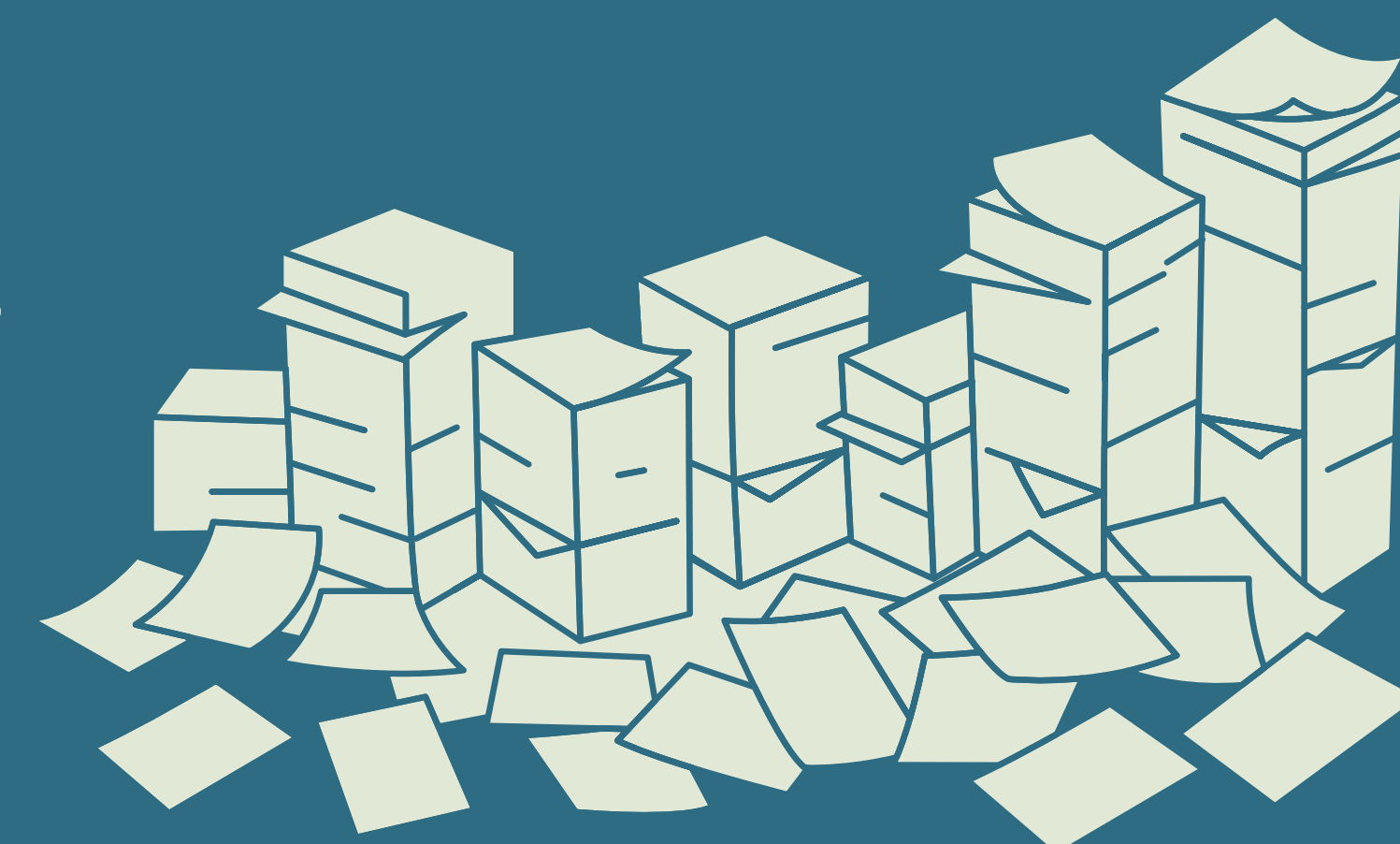
Big differences among the amounts of collected revenues, but the same procedures for their use.



Some types of assigned revenue can be used for the same purpose: most of the assigned revenue is intended for investments or financing the assets (rents, sale sums, environmental taxes, community charge for utility infrastructure, loans and other).



Some types of assigned revenue are collected by the State, municipalities have thus no impact thereof and are not informed about the planned amounts and date of their receipt.



OPINION OF THE COURT OF AUDIT

○ The Court of Audit established that **all municipalities Izola, Kranjska Gora, Slovenska Bistrica, Šentjur and Šoštanj** were **partially efficient** when managing assigned revenue.

✓ **Already during the audit they remedied some inefficiencies.**

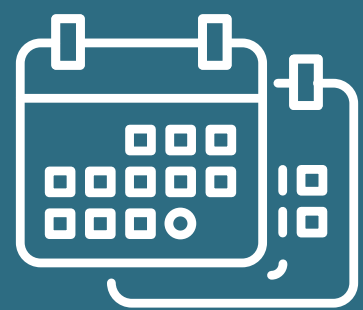
The Court of Audit recommended to the municipalities to:



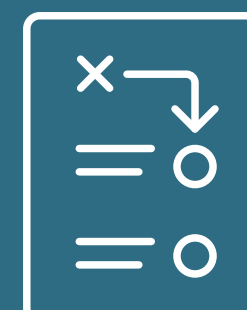
set up complete records and to **timely respond to disclosed derogations** compared to the plans



provide the budgetary documents to **clearly present the amounts of assigned revenue**, their use and to report transparently on the realisation



start multiannual planning



set up an appropriate system of undertaking commitments



The State should reduce the number of assigned revenue types in a systemic way and clearly define their purposes.