

Summary on the ability of the Municipality of Dravograd to use European Union funds

The Court of Audit audited the ability of the Municipality of Dravograd to acquire and utilise funds of the Cohesion Fund for co-financing environmental projects and funds of the European Regional Development Fund for co-financing construction of business zones. The audit reviewed the activities and achievements of the municipality in acquisition and utilisation of the mentioned EU funds from the implementation of Single Programming Documents of the Republic of Slovenia in 2003¹ until the end of 2005.

The purpose of the audit was to assess the effectiveness of the municipality to acquire and utilise the EU funds and to assess the appropriateness of establishing conditions for successful acquisition and utilisation of the EU funds.

Municipality of Dravograd was not identified as a significant area for implementation of business zone construction projects and did not carry out business zone construction projects.

Municipality of Dravograd acquired funds of the Cohesion Fund for implementation of the project *Dravograd Sewage System and Wastewater Treatment Plant* as part of the project *Drainage and Cleaning of Wastewater in the Mislinja River Basin*. The financial memorandum was signed by the European Commission on 28 November 2003. In accordance with the financial memorandum, the co-financing share of eligible costs with funds of the Cohesion Fund amounts to 50 percent or EUR 1,042 thousand.

The delays may affected higher values of construction works and therefore the decrease of the co-financing share with the funds of the Cohesion Fund from 50 percent to 42 percent. The national implementing body approved the Municipality of Dravograd in 2006 additional Cohesion Fund funds in the amount of EUR 158 thousand, and therefore the co-financing share of all eligible costs with funds of the Cohesion Fund amounts to 48 percent.

The Municipality of Dravograd did not utilise funds of the Cohesion Fund by the end of 2005, especially because of the time-consuming preparation of the municipality's tender documentation and the state's delay in preparing the instructions to prepare tender documentation and time-consuming review and approval of the tender documentation. The managing authority will have to acquire the approval of the European Commission to change the time limits of the financial memorandum, because the construction works will not be completed in the eligible period of funds utilisation. Without the European Commission's consent, the costs incurred after 31 December 2007 will not be eligible to be co-financed by EU funds.

The Municipality of Dravograd concluded the construction contract for higher value than the funds provided. Subsequently it acquired additional funds for the closure of the financial structure. In accordance with the national regulations, the municipality should reject the offer, which exceeded available funds or use the procedure with negotiations in the public contracting procedure. Not until decreasing the price or providing additional funds the municipality may award the public contract and conclude a contract with the contractor. The specified handling of the municipality is also the result of the time limits in relation to eligibility of costs for co-financing by the funds of the Cohesion Fund.

We asses the organizational structure for project implementation as unsatisfactory mostly because the

¹ Single Programming Documents of the Republic of Slovenia define priority tasks, measures and priority lists of the projects co-financed by the EU funds for Programming period 2004 -2006.

municipality did not engage itself enough and did not sufficiently monitor and supervise implementation of the project. Project preparation stage is more demanding for municipalities than the construction stage; therefore, the Municipality of Dravograd should organise itself appropriately and already during the project preparation stage create the implementation plan, define tasks of the project group members and establish a supervisory body.

The Court of Audit believes that the Municipality of Dravograd is capable within certain limits to acquire and utilise funds of the Cohesion Fund. For successful realisation of projects, it will have to significantly decrease the risks with better organization of project implementation.

For a more efficient acquisition and utilisation of EU funds, the Court of Audit recommends to the Municipality of Dravograd the following:

- to adopt its own long-term strategic programme, which will define environmental management in the municipality;
- to adopt a manual or some other act on project management in the municipality, which would define the municipality's activities in preparation and implementation of investment projects;
- to pay more attention and activity to organisation, implementation, management and monitoring of own projects, co-financed by the EU funds;
- in the selection procedure for the award of a public contract, not to include those criteria, which only evaluate the tenderer's qualifications and not the tender itself;
- to monitor and participate in creation of national development strategies and priority tasks and to monitor possibilities to utilise the European Union funds for co-financing of own activities.

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