

Summary of the consolidated report on the ability of the municipalities to use European Union funds

The Court of Audit audited the ability of the Municipalities of Dravograd, Hrastnik, Jesenice, Komenda, Krško and Puconci to acquire and utilise funds of the Cohesion Fund for the co-financing environmental projects and funds of the European Regional Development Fund for the co-financing construction of business zones. The audits reviewed the activities and achievements of the municipalities 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 audits was to assess the effectiveness of the municipalities to acquire and utilise the EU funds and to assess the appropriateness of establishing conditions for successful acquisition and utilisation of the EU funds.

The goal of the consolidated report was to show a comparison between the audited municipalities, to point out common conclusions, and to provide recommendations to other municipalities and competent state institutions in order to improve public financial management and public resources management.

We assess that the municipalities could have contributed to a better situation concerning the utilisation of EU funds with a more appropriate approach. However the reason for the main difficulties is mostly slow utilisation of funds and the national regulation and operation of the implementation system. The municipalities showed a lot of effort for acquisition of funds especially to implement the projects co-financed by the European Regional Development Fund. In the projects of the Cohesion Fund, which are projects of national importance, the municipalities had to wait for the instructions, reviews and consent of the competent state institutions.

The biggest shortcomings of the municipalities in acquisition and utilisation of EU funds are the following:

- during preparation of an investment project, municipalities pay too little attention to the quality assessment of all required works and as a result to the costs as well;
- before applying the project for the acquisition of EU funds, the project is not prepared appropriately;
- mistakes in the public contracting procedure could lead to audit requests by tenderers; incorrect implementation of public contracting, especially the selection of the procedure and definition of conditions and criteria, means that the project may not be eligible to be co-financed by EU funds;
- during the implementation of the project, they do not promptly inform intermediate bodies of the changes in the works or additional works;
- they do not establish a suitable project management, which would provide appropriate financial and risk management.

On the basis of audit findings, presented in individual reports, the Court of Audit determined that five municipalities were able to acquire and utilise the EU funds concerned and that one municipality was able to acquire and utilise funds of the Cohesion Fund within certain limits.

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.

The Court of Audit submitted recommendations to the audited municipalities in individual reports, and in continuation recommendations for the other municipalities are provided. For a more efficient acquisition and utilisation of EU funds for the investment projects, the municipalities should:

- adopt a long-term development programme and manual, which defines organisation and implementation of larger investment projects;
- establish an organisational structure for the implementation and monitoring of the project already in the initial stage of project implementation;
- prepare the project to the appropriate level and pay attention to the quality assessment of the project value, cost-benefit analysis and inclusion of appropriate eligible costs before applying the project for the acquisition of EU funds;
- during project implementation promptly inform the competent authorities in the implementation system of any changes, which could affect the eligibility of co-financing costs;
- educate municipal employees in the fields of project preparation, management and public procurement implementation;
- monitor and participate in creation of national development strategies and priority tasks and monitor possibilities to utilise European Union funds for co-financing of own activities.

The Court of Audit also presented the obstacles, in the national regulation of implementation and operation of competent state institutions. The Court of Audit shall propose the following to the competent state institutions, responsible to implement the European Regional Development Fund in the construction of business zones:

- to change the cash flow system, so that the municipality will not provide co-financing funds itself in the short-term;
- to provide municipalities with enough time for the preparation during tenders for acquisition of funds;
- to examine the possibilities of greater adjustment of national procedures to approve an individual project in the manner, in which as little time as possible would pass from the moment, when the period of cost eligibility begins, to the actual beginning of project implementation.

The Court of Audit shall propose the following to the competent state institutions for the implementation of the Cohesion Fund projects in the field of environment:

- to adapt the national regulations, so that instead of small municipalities the regional projects would be carried out by institutions with appropriate personnel, knowledge and position in the region, organised at provincial level, but until the establishment thereof at a state level;
- to also consider the element of time in the decision on the programme or project approach for the 2007-2013 programming period;
- faster response when providing instructions to the implementing bodies; to accelerate the procedures during project documentation review and giving their consent for the projects, which applied for EU funds, and therefore significantly save the available time to utilise the Cohesion Fund funds.

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