

**Summary of the audit report *Concession fee and water reimbursement for the exploitation of the Lower Sava River energy potential***

The Court of Audit of the Republic of Slovenia carried out the regularity audit of accounting and paying concession fee and water reimbursement for the exploitation of the Lower Sava River energy potential in the period from 1 January 2006 to 31 August 2009. The audit was carried out at the Ministry of the Environment and Spatial Planning of the Republic of Slovenia as the competent ministry responsible for the area of water use and regulation, and in Holding Slovenske elektrarne, d. o. o., Ljubljana, as the concessionaire of the Boštanj, Blanca, Krško, Brežice and Mokrice hydroelectric power plants up until 31 July 2008. The audit objective was to express opinion on the regularity of accounting and paying concession fee and water reimbursement for the exploitation of the Lower Sava River energy potential in the period from 1 January 2006 to 31 August 2009.

Regarding the regularity of operations of the Ministry of the Environment and Spatial Planning, the Court of Audit expressed a qualified opinion that the Ministry did not operate in accordance with regulations, owing to the fact that:

- it determined in the concession contract that the concession fee also includes the compensation for the use of building land;
- it did not exercise a complete control over the implementation of the concession contract for the exploitation of the Lower Sava River energy potential, which allowed for the fact that in the period from 1 January to 5 June 2006 the concession fee that the concessionaire of the Boštanj hydroelectric power plant contributed to the budget was EUR 74,693 less than required;
- it did not determine in the concession contract the potential energy of water and the shortage of at least EUR 136,965 of water reimbursement was charged to the concessionaire of the Vrhovo hydroelectric plant;
- it did not charge Infra, d. o. o., Sevnica water reimbursement for the use of alluvial deposits (gravel), which allowed for the fact that the company did not pay water reimbursement in the amount of EUR 64,680 for 53,448 cubic metres of deposits used for road construction.

The Court of Audit also warned the Ministry of the Environment and Spatial Planning that it did not act economically when determining the starting date for accounting water reimbursement and defining the appropriate basis for accounting concession fee because it did not provide the Government of the Republic of Slovenia with appropriate legal basis. This led to the reduction of the revenue in the budget in the amount of EUR 747, 654 in the period concerned.

The Court of Audit expressed a qualified opinion also for Holding Slovenske elektrarne, d.o.o., stating that it did not operate in accordance with regulations, owing to the fact that:

- it produced electric power in the Boštanj hydroelectric power plant in the period from 3 April to 7 May 2006 and from 12 May to 5 June, i.e. from the date of submission of the application for the issue of operating permit to the date of the beginning of trial operation according to the Decision on the permission of trial operation, which is contrary to Construction Act;
- did not indicate data on the production of 16,728.593 megawatts of electric power in the period from 1 January to 5 June 2006 and therefore for the year 2006 it did not account and pay a concession fee in the amount of EUR 74,693 for the Boštanj hydroelectric plant.

To eliminate the established irregularities, the Court of Audit of the Republic of Slovenia requested from the Ministry of the Environment and Spatial Planning of the Republic of Slovenia and Holding Slovenske elektrarne, d. o. o., Ljubljana to take corrective measures and *submit a response report*. The Ministry of the Environment and Spatial Planning was suggested some *recommendations* regarding the adequacy of some provisions of Waters Act and the adequacy of setting sales price of electric power producer as the basis for accounting concession fee.

Ljubljana, 9 August 2010