

PERFORMANCE AUDIT OF THE UTILITY INFRASTRUCTURE MANAGEMENT IN LOCAL SELF-GOVERNMENT UNITS ON THE TERRITORY OF THE REPUBLIC OF CROATIA

SUMMARY

(December, 2021)

The State Audit Office conducted 20 performance audits of utility infrastructure management in local self-government units in the area of 19 counties and the City of Zagreb. There are 556 local self-government units in the Republic of Croatia, and the audit covered 537. The audit did not cover local self-government units in the area of Sisak-Moslavina County due to a natural disaster (earthquake) in its area.

The object of the audit were the activities of the local self-government unit in connection with recording utility infrastructure, normative regulation, management and supervision over utility management infrastructure in 2019 and 2020.

The audit established, among other things:

- The records of the utility infrastructure are not organized or some of the organized records do not contain prescribed elements and/or part of the prescribed data has not been entered into the records for individual facilities and buildings.
- The local self-government units did not make decisions on the declaration of utility infrastructure as a public good for general use, nor they obtained geodetic studies of the derived state for the constructed infrastructure in order to carry out the procedure of registering ownership in the land register and record it in the cadaster.
- Analytical accounting records of fixed assets have not been organized, or part of the buildings and devices of the utility infrastructure has not been recorded in the business books and the list of assets and liabilities is not included.
- Comparison of data between business books, asset lists and utility infrastructure records is difficult and/or not possible, because these records do not contain an identification number that would be a link to business books.
- Decisions on utility activities are not harmonized with the provisions of the Law on utility services, which is in force, and for certain utility activities, the method of performance, that is, the organizational form of performing utility activities, has not been determined.
- Construction programs and/or programs for maintenance of utility infrastructure do not contain certain elements prescribed by the provisions of the Law on utility services (description and scope of maintenance of utility infrastructure, sources of financing, expenditure on facilities, etc.), and they contain expenditure that does not relate to the construction and maintenance of utility infrastructure.

- The local self-government units did not compile a report on the execution of the construction program and maintenance program of the utility infrastructure, did not submit the report to the representative body for adoption and/or did not publish it in the official gazette.
- Decisions on utility order do not contain provisions that determine the possibility of using public areas in a way that enables movement of people with special needs, in accordance with the provisions of the Law on utility services.
- Some utility activities were not performed, even though they were determined by the decisions of the representative body as activities of importance for the local self-government unit, and some were not performed in the manner established by those Decisions.
- Local self-government units did not undertake activities to enact general conditions for the delivery of utility services and did not publish price lists and general conditions of delivery in one or more prescribed ways.
- Expenditures for the construction and/or maintenance of utility infrastructure were realized significantly below or above the plan (deviation greater than 20.0 %), that is, the expenditures were not realistically planned.
- Systematic analysis and evaluation of the effects of the management and use of utility infrastructure and the impact of management on the local community in order to determine the possibility of improving the management of utility infrastructure is not carried out.

Based on the facts established by the audit, applying the established criteria, the State Audit Office assessed that the management of utility infrastructure in **26** units of local self-government is **effective**, in **198** units of local self-government **is effective, where certain improvements are needed**, in **299** units of local self-government **is partially effective**, while in **14** units of local self-government is **ineffective**.

The State Audit Office issued the following orders and recommendations:

- Organize the records of the entire utility infrastructure in the area of the local self-government unit and update it so that it contains all the data prescribed by the provisions of the Law on utility services.
- Undertaking activities for the purpose of recording utility infrastructure in the area of the local self-government unit in the land register and cadaster, which relate to the adoption of decisions on the declaration of utility infrastructure as a public good for general use and obtaining geodetic studies of the derived state of the utility infrastructure and submitting them to the competent court and the competent authority for cadaster for the purpose of registering utility infrastructure in the land register and recording it in the cadaster as a public good in general use under inalienable ownership, i.e. co-ownership of the local self-government unit and/or the public supplier that manages the utility infrastructure, in accordance with the provisions of the Law on utility services.

- Keep analytical accounting records of utility infrastructure and other long-term non-financial assets and at the end of each business year list assets and liabilities, estimate the value of unrecorded utility infrastructure and other assets and record it in business books, in accordance with the provisions of Governmental Accounting rules and Chart of Accounts and Instructions on the recognition, measurement and recording of property owned by the Republic of Croatia.
- For each building and device of the utility infrastructure and other long-term non-financial assets, determine an identification number and link the analytical accounting records with the records of the utility infrastructure and other property records by means of identification numbers.
- Adopt a decision on utility activities, which will determine utility activities in the area of the local self-government unit and the organizational forms of their performance in accordance with the provisions of the Law on utility services in force.
- Programs for the construction and maintenance of utility infrastructure should be adopted so that they contain all the elements prescribed by the Law on utility services, and in them they should show expenditures related to the construction and maintenance of utility infrastructure and the construction of buildings for municipal waste management.
- Submit reports on the implementation of the construction and maintenance program of utility infrastructure to the representative body and publish them in the official gazette, in accordance with the provisions of the Law on utility services.
- Decisions on utility order determine the possibility of using public areas in a way that enables the movement of people with special needs, in accordance with the provisions of the Law on utility services.
- Performing all utility activities in the area of the local self-government unit in the manner prescribed by the decisions of the representative bodies of the local self-government units.
- Undertake activities for the public disclosure of the general terms of delivery and price list of utility services for all utility service activities performed on the territory of the local self-government unit, in accordance with the provisions of the Law on utility services.
- In the case of significant deviations of realized expenditures for the construction and/or maintenance of utility infrastructure compared to the planned ones, in the reports on the execution of the program of construction and/or maintenance of utility infrastructure, the explanation for the deviation should be given, in order to ensure full information of the representative body and the public about the management of utility infrastructure.
- Analyse and evaluate the effects of management and use of utility infrastructure in order to determine the effectiveness of management, to identify and solve problems related to management and use, to determine the impact of management on the local community and to determine ways in which the management of utility infrastructure can be improved.

- Enact and apply criteria and indicators of the efficiency of utility infrastructure management according to the principles prescribed by the provisions of the Law on utility services, on which the utility services are based, and report to the public on the achieved goals and effects of management, i.e. on the measures taken in case of non-fulfilment of the set goals.

The State Audit Office is of the opinion that by implementing the aforementioned orders and recommendations, improvements would be achieved in connection with the recording of utility infrastructure, normative regulation, management of utility infrastructure and supervision over the management of utility infrastructure, which would increase the efficiency of local self-government units in managing utility infrastructure and satisfying the needs of citizens related to the utility services.