

Summary of the audit report *Provision of Funds for Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant*

The Court of Audit of the Republic of Slovenia audited efficiency of operations of the Ministry of the Economy and the Government of the Republic of Slovenia as well as effectiveness of operations of the Fund for Financing Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant (hereinafter: the Fund) in providing funds for decommissioning of the Krško Nuclear Power Plant (hereinafter: the Nuclear Power Plant) and disposal of radioactive waste from the Nuclear Power Plant in the period from 2006 to the end of 2009.

The audit objective was to express an opinion on the efficiency of operations of the Ministry and the Government as well as on the effectiveness of operations of the Fund in managing funds for the decommissioning of the Nuclear Power Plant and the disposal of radioactive waste so as to enable timely provision of all the required funds. The Court of Audit assessed *the efficiency of operations of the Ministry of the Economy and the Government of the Republic of Slovenia* in that it sought an answer to the question of *whether the auditees had established such conditions for the provision of funds for the decommissioning of the Nuclear Power Plant and the disposal of radioactive waste from the Nuclear Power Plant so as to enable timely collection of funds* as well as *the effectiveness of operations of the Fund* in that it sought an answer to the question of *whether the auditee had been effective in achieving the set objectives and meeting the required operating conditions*.

It made an assessment that *the Ministry of the Economy and the Government of the Republic of Slovenia* in determining operating conditions for the Fund and establishing control over its operations *had not been efficient*. Under the current conditions for raising and managing funds paid into the Fund and under the established method of exercising control over the management and operations of the Fund, funds for the decommissioning of the Nuclear Power Plant will not be raised adequately in a timely manner.

In the period covered by the audit, the Fund failed to operate in such an organisational form that would enable transparent definition and determination of parameters as well as restriction of investment policy and that would facilitate establishment and provision of efficient control over the Fund's operations.

Based on the prescribed method of determining the amount of decommissioning contribution it will not be possible, due to the change of underlying assumptions for its calculation, to raise adequate funds for the decommissioning of the Krško Nuclear Power Plant and the disposal of radioactive waste from the Krško Nuclear Power Plant within the prescribed time. In the Act governing the Fund for Financing Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant, the Ministry of the Economy and the Government of the Republic of Slovenia did not define clearly the level of return that the Fund has to achieve within its operations and the time limit for this achievement. They also failed to define clearly conditions under which it can achieve the prescribed return. The nature and parameters of investments where the Fund can invest its assets were not defined either. There was also no detailed definition of the principles for the investment of its assets, i.e. detailed definition of restrictions as regards the type and quantity of assets that may be invested in securities. According to the assessment of the Court of Audit, the Ministry of the Economy and the Government of the Republic of Slovenia may have clearly defined the intended used of funds from the

Fund in the Act governing the Fund for Financing Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant, yet they did not adequately define the method of auditing the efficiency and purpose of funds from the Fund.

The powers and tasks of the founder and individual authorities of the Fund were not defined in a way that would ensure efficient control over the management and operations of the Fund. The existing arrangement does not define tasks and powers of the line ministry for exercising control over the Fund. Consequently, there was no adequate control over the formation and implementation of the Fund's investment policies which thus enabled excessively risky investments. There was also no adequate control over the purpose of the Fund's operations. The fund namely provided grants to non-profit organisations and associations, which is not provided for in the Act governing the Fund for Financing Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant.

The Fund was assessed not to plan its operations comprehensively. The plans were made merely in connection with achieving return on the Fund's portfolio but not in connection with ensuring eligible and efficient use of its funds, irrespective of the fact that both are considered fundamental fields of the Fund's operation.

Under its investment policies, the Fund failed to adequately define the method of measuring return on its portfolio as well as principles and conditions based on which it intended to invest its assets. It did not illustrate the impact of the planned investment structure on the required return that was set as an objective of its operations.

In 2006, 2007 and 2009, the Fund achieved the required return. In 2008, the return on the Fund's portfolio was negative, i.e. 16.12 percentage points lower than required. This was due to excessively risky investment policy implemented by the Fund in 2006 and 2007, when it started to invest its assets also in mutual funds, investment funds and exchange-traded funds with no return guarantee as well as in company shares not traded on the regulated market. Due to the negative return in 2008, the Fund also did not achieve the required return in the period from 2004 to 2009.

The actual investment structure of the Fund in the period from 2006 to 2009 was not in accordance with the planned structure, since the portion of the Fund's investments in securities of the Republic of Slovenia in 2006 and 2007 was lower than planned. In 2009, the authorised portion of the Fund's investments in mutual, investment and exchange-traded funds was higher than planned. The actual currency structure of the Fund's portfolio was not in accordance with the planned structure either.

The Fund did not establish adequate control over the purpose and efficiency of funds provided to Radioactive Waste Management Agency, for it did not demanded the implementation of an audit of the efficiency and purpose of funds received from the Fund and did not adequately examine the provision of funds to contractors according to the subject of concluded contracts. The Fund provided grants to local non-profit organisations, which is not in accordance with the purposes provided for in the Act governing the Fund for Financing Decommissioning of the Krško Nuclear Power Plant and Disposal of Radioactive Waste from the Krško Nuclear Power Plant as regards the use of the Fund's money.

For the established inefficiencies to be eliminated within 90 days, the Court of Audit demanded from the Ministry of the Economy, the Government of the Republic of Slovenia and the Fund the implementation

of corrective measures relating to the selection of the Fund's organisational form, definition of the position and role of individual institutions in providing funds for the decommissioning of the Nuclear Power Plant and the disposal of radioactive waste from the Nuclear Power Plant, definition of the return on the Fund's portfolio, determination of principles and parameters of the Fund's investment policy as well as implementation of an audit of the efficiency and purpose of its funds. The Ministry of the Economy and the Fund were provided several recommendations for the improvement of their operations as regards timely provision of funds for the decommissioning of the Nuclear Power Plant and the disposal of radioactive waste from the Nuclear Power Plant.

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