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For years, the Stadtwerke Klagenfurt granted an attorney the exclusive right to the collection of outstanding receivables

17.01.2020 - The audit of the Stadtwerke Klagenfurt is based on a citizen's suggestion



In its newest report, the Austrian Court of Audit (ACA) criticises

high costs, the granting of an exclusive right to the collection of outstanding receivables, an appointment to the board without vacancy notice and the awarding of an audit contract to the last-ranked bidder.

The [Stadtwerke Klagenfurt](#) (public utility company) provides energy, gas, district heating and water. Recreation facilities such as the indoor pool of the capital city of Klagenfurt or telecommunications are other business segments of the group. In summer 2017, the resident of the ACA launched

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participation: the citizens' audit suggestions are collected by the ACA and feed into the audit planning. When selecting audit themes related to the numerous public participations, criteria such as the level of expenditure, current events, special public interest and the preventive effect are applied. The audit of the Stadtwerke Klagenfurt is based on the suggestion of a citizen to audit the planning of the indoor pool in Klagenfurt and the considerable costs related thereto.

The costs for the planned new construction of the indoor pool do not match the financial strength

The medium-term planning of the Stadtwerke Klagenfurt shows a downward trend and indicates an increase of debts by almost EUR 37 million to EUR 62.20 million from 2017 to 2021. The considerable costs of up to EUR 44 million for the planned construction of the indoor pool are not included in this calculation. The ACA's recommendation is therefore as follows: to make planned investments in accordance with the group's financial strength.

Questionable granting of an exclusive right

The ACA views the exclusive right granted to an attorney for the collection of outstanding receivables very critically. In 2008, the Stadtwerke Klagenfurt concluded an exclusive contract with the attorney for an indefinite period. Before that, there had already been an oral agreement with the attorney, and also with her father, for decades. In 2017, the Stadtwerke Klagenfurt issued a notice of extraordinary termination of the contract due



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The Stadtwerke Klagenfurt had to pay the attorney EUR 840,000. The ACA recommends not to grant exclusive rights to contractual partners.

Appointment to the board without vacancy notice

In May 2016, the supervisory board appointed – without a previous vacancy notice – a board member via a three-year-contract as of July 2016. The new board member and another board member appointed in April 2016 lacked significant professional experience in the field of energy, the core business of the Stadtwerke Klagenfurt. The recommendation to ensure the publication of vacancy notices with regard to board positions for companies that fall within the ACA's audit remit is deemed to be central by the ACA.

Audit contract was awarded to the last-ranked bidder

As regards the appointment of the accountant for the annual and consolidated financial statements 2015, the owner representative, the mayor of Klagenfurt, did not adhere to the results of the tendering procedure. She also failed to heed the suggestion of the supervisory board and appointed the company ranked last in the tendering procedure as accountant. In the period of 2016 to 2018, the Stadtwerke Klagenfurt did not issue an invitation to tender for the audit of the financial statements. The ACA recommends to entrust, by way of a tendering procedure, the most suitable applicant with the audit of the financial statements.

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Central recommendations

(1) The appropriateness of the salaries of board members should be ensured in the future.

(2) Planned investments should be made in accordance with the group's financial strength.

(3) The appointment of members of executive bodies (executive board) of companies with legal personality that fall within the ACA's audit remit should be subject to a public tender.

(4) The negative revenue and cost situation concerning the water segment should be critically examined.

(5) Measures regarding the renewal of the water distribution network should be enhanced.



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