



# The effects of the performance audit



# Management of industrial waste



- In 2019, the State Audit Institution conducted performance audit on the topic "Management of industrial waste".
- The audit covered the period from 2016 to 2018.
- The audit included four auditees, namely:
  - **Ministry of Environmental Protection** (it coordinates and performs waste management activities of importance for the Republic of Serbia and monitors the situation);
  - **Provincial Secretariat for Urban Planning and Environmental Protection** (it coordinates and performs waste management tasks of importance for the Autonomous Province and monitors the situation);
  - **Environmental Protection Agency** (it controls submission of data to the National Register of Environmental Pollution Sources and controls the accuracy of submitted data) and
  - **PE "Electrical Company of Serbia"** (the largest generator of industrial waste).
- **The aim of this audit was to determine whether the auditees effectively manage industrial waste in order to protect and improve the environment.**



## KEY AUDIT MESSAGE: IN THE REPUBLIC OF SERBIA, IT IS NECESSARY TO ESTABLISH A MORE EFFICIENT INDUSTRIAL WASTE MANAGEMENT SYSTEM TO PROTECT AND IMPROVE THE ENVIRONMENT

### Audit conclusions:

1

Not all planning documents in the field of waste management have been adopted, as well as reports on the implementation of existing ones, which indicates that not all activities have been undertaken with the aim of more efficient industrial waste management planning

2

According to the data of the Environmental Protection Agency, about 80% of the produced industrial waste in the Republic of Serbia remains at the manufacturer's location, which indicates a low percentage of industrial waste treatment, as well as insufficient use of waste as raw material. The above, along with the fact that there is no facility for the treatment of hazardous waste, indicates that industrial waste is not sufficiently managed in an efficient manner, which poses a risk to the environment and human health.

## Audit conclusions:

3

In the Republic of Serbia, effective supervision and control over industrial waste management has not been established to a sufficient extent, which is reflected in insufficient coordination between entities responsible for waste management, insufficient inspection supervision, as well as an insufficiently reliable system of issuing and revoking permits for waste management.

Due to the absence of effective supervision and control, the revenues of the Budget of the Republic of Serbia in the period 2014-2018 were lower by 6.7 billion dinars only from the import of vehicles as products that become special waste after use



## Auditees were given a total of 18 recommendations, among other things:

- through more effective supervision, to prevent business entities to manage waste that do not have the appropriate permits;
- through inspection work, to establish effective supervision over products that become special waste streams after use;
- to review the existing system of calculation and collection of fees from products that become special waste streams after use and, if necessary, to initiate amendments to the Law on Fees for the Use of Public Goods, in order to increase income on this basis;
- to establish effective control over the submission of data on waste management to the National Register of Environmental Pollution Sources, as well as control over the accuracy of the data submitted.



The State Audit Institution, in accordance with the Methodology for monitoring the implementation of recommendations of performance audits and impact assessment, performed an analysis of the following effects of the conducted audit:

Financial effects

1

The value of the realized savings of public funds through the implementation of audit recommendations

Influence on policy change

2

Legal, organizational and policy changes implemented by authorities based on audit reports

3 Compliance with SAI recommendations

Compliance with the recommendations in the performance audit reports

Other effects

4

Other effects determined by the audit



The principle of self-declaration, without effective control and supervision of competent institutions, carries the risk that business entities do not submit data or submit incorrect data, because it reduces their obligation on the basis of fees, which results in lower revenues from fees in the field of environment.

In the period before the audit (in 2019), the Ministry did not carry out inspection supervision over taxpayers who import vehicles, but in the period 2014-2018:

- it issued decisions to taxpayers on paying fees for imported vehicles based on data from the Environmental Protection Agency, which are not in accordance with the records of the Customs Administration, or
- It did not issue decisions to taxpayers who did not submit reports on imported vehicles to the Agency, and according to the data of the Customs Administration, they were importers of vehicles.

In the manner described in this way, and due to the absence of effective supervision and control, the revenues of the budget of the Republic of Serbia in the period 2014-2018 are lower by 6.7 billion dinars (57 million EUR) only from the import of vehicles as products that become special waste streams after use.



The recommendations issued to the auditees in the performance report aim to establish effective control and supervision of data on products that become special waste streams after use, based on the records of the Customs Administration, in order to properly determine and collect compensation on this basis.

During 2021 and 2022, the Ministry conducted inspections of taxpayers who submitted annual reports with incorrect vehicle quantities for the reporting 2019 and 2020.

In the case of six companies that were inspected, significant differences were found between the quantities reported to the Agency and the quantities according to the records of the Customs Administration.





Information about  
the conducted  
audit

Analysis of effects

Financial effects

Effects on policy  
change

Effect of compliance  
with  
recommendations

Other effects

Obligated to pay fee	Amount reported to the Agency in kg	The quantity determined by inspection in kg	The difference in quantity in kg	Financial effect in RSD
1	3,048,230	4,486,710	1,438,480	17,434,378
2	78,445	1,442,961	1,364,516	16,374,192
3	7,868,300	9,173,818	1,305,518	15,666,216
4	12,900	613,484	600,584	7.207.008
5	1,085,700	1,391,572	305,872	3,670,464
6	767,800	965,025	197.225	2,366,700
<b>In total</b>	<b>12,861,375</b>	<b>18,073,570</b>	<b>5.212.195</b>	<b>62,718,958</b>

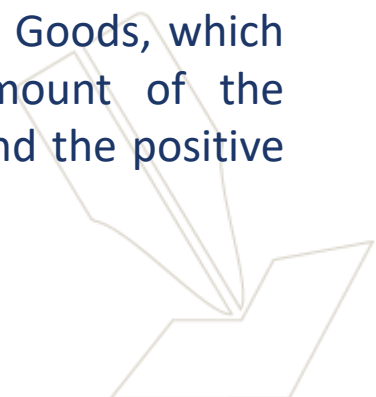
As shown in the table, the inspection determined that six entities reported to the Agency the amount of imported vehicles that was 5.2 million kilograms less than the actual imported amount, on the basis of which the financial effect was determined in the amount of over 62 million dinars (530 thousand EUR).

## Performance audit report had a significant effect on policy change.

After the audit, the Ministry of Environmental Protection submitted to the Ministry of Finance a proposal to amend the Law on Fees for the Use of Public Goods in the part related to fees for environmental protection.

Proposal is made to change the method of determining the fees for products that become special waste streams after use, so that the Customs Authority establishes and collects fees for imported motor vehicles in accordance with customs regulations, in order to prevent evasion of the fee payment.

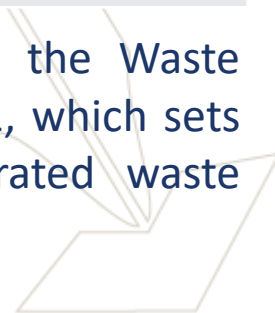
The Law on Amendments to the Law on Fees for the Use of Public Goods, which stipulates that the Customs Administration establishes the amount of the previously mentioned fee, entered into force on January 1, 2024, and the positive effects of this change are expected to be seen in 2024.



The recommendations issued to the auditees resulted in amendments of the internal regulations and procedures of the auditees, in such a way that the auditees adopted the following internal acts:

Auditee	Internal act
<b>Environmental Protection Agency</b>	Internal procedures for control of data submission and control of submitted data to the National Register of Pollution Sources (NRPS)
<b>Ministry of Environmental Protection</b>	Directive on handling incomplete and incorrect reports of legal entities that are liable to pay a fee for products that become special waste streams after use, i.e. actions in the event that those liable to pay a fee for products that become special waste streams after use have not submitted reports

In January 2022, the Government of the Republic of Serbia adopted the Waste Management Program in the Republic of Serbia for the period 2022-2031, which sets the conditions for the establishment and development of an integrated waste management system in Serbia.



Information about  
the conducted audit

Analysis of effects

Financial effects

Effects on policy  
change

Effect of compliance  
with  
recommendations

Other effects

Effect of compliance  
with recommendations

The auditees are  
in the phase of significant  
implementation of  
recommendations, i.e. there  
are structure and processes  
that are integrated into  
certain parts of the  
organization and the results  
are visible and measurable

- After the audit , inspections were carried out over unregistered entities, i.e. entities without a proper permit. After the inspections, decisions were issued on permit revocation, along with requests for initiation of misdemeanour proceedings and charges for commercial offences, all with the aim of establishing a more efficient waste management
- At the end of 2019, the Agency filed about 350 criminal charges against companies for failure to submit data, partial submission of data, or submission of incorrect data collectively for 2016, 2017 and 2018.
- In the period 2019-2021, the number of reports increased submitted to the Agency by business entities – obligors of fee payment, which indicates the positive effects of reporting.

- In the audit process, we found that there are business entities that manage industrial waste without a proper permit or have a permit issued by an authority that is not competent to issue such permit, which is not in accordance with the Law on Waste Management.

One of the effects of the conducted audit is that, according to the data of the Environmental Protection Agency, in the NRPS database in the Register of permits for managed waste, there is no permit for the management of hazardous waste issued by an authority that is not competent to issue it (local self-government).

Based on the analysis of the collected information on the views of the auditees, the general conclusion is that the Performance Audit Report was assessed very positively, while from the individual assessments it can be concluded that the auditees understand the importance of this type of reporting, as well as the overall tone of the report, including the understanding of the recommendations and individual topics covered in the report .



**THANK YOU FOR YOUR  
ATTENTION !**

[office@dri.rs](mailto:office@dri.rs)

[www.dri.rs](http://www.dri.rs)

