

Establishment of South Estonian Collection Centre for Hazardous Waste

Audit Report No. OSIV-2-1.4/07/1 of 5 January 2007

Summary

The NAO audited the establishment of the South Estonian collection centre for hazardous waste in order to assess whether it had been carried out in the most favourable way for the state and under the best possible conditions. The cost of the collection centre was 23.2 million kroons.

According to the NAO, the collection centre was not established in the most favourable way for the state and under the best possible conditions as the collection centre is built on the registered immovable of another legal person and the terms and conditions of the contract of the right of superficies are not favourable for the state. The Ministry of the Environment and the Information and Technology Centre (ITC) did not consider any other options for the establishment of the collection centre for hazardous waste, e.g. building the centre on a state-owned land or finding an undertaking to build the centre.

Main observations

- Neither the Waste Act nor the waste management plan provides that the state itself must establish collection centres. The duty of the state is to create necessary prerequisites for the establishment of the collection centre. Establishment of the collection centre for hazardous waste could have cost significantly less by supporting private entrepreneur's activities in establishing a collection and sorting centre for hazardous waste. According to the explanation of the Ministry of the Environment, purchasing services from a private collection centre for hazardous waste would not have been in compliance with the waste management plan, which provides that such centres should be established on state's initiative.
- The lot chosen for the establishment of the collection centre and initiation of the detailed plan were unsuitable from the very beginning as there were buildings on the lot owned by another legal person (a private company) who had privatised the said plot of land. Although there was vacant state-owned land in the region suitable for the construction of the collection centre, the ITC did not apply for the ownership of the land and the centre was built entirely on the registered immovable of the private company. The ITC planned the collection centre as an independent complex. Due to changes in the centre's project and procurement contract, the complex does not fulfil all prescribed functions as it lacks laboratory equipment and non-work rooms for the employees of the collection centre.
- Terms and conditions laid down in the contract of the right of superficies on the payment for a right of superficies, term for the right of superficies and benefits received upon its termination, are unfavourable for the state. For the two million kroons paid by the state as the remuneration to the owner in the period of ten years, the state could purchase a registered immovable larger than the one currently used by the collection centre for hazardous waste. Benefit received from the owner, however, does not take into account the actual value of the collection centre.
- The Ministry has made preparations to commercially lease the collection centre for hazardous waste. Even though pursuant to the procedure for commercial leasing of assets, the competition of tenderers should be an important mechanism of impartiality, in reality one candidate complies with the lease terms (the company owning the land).

Recommendations to the Minister of the Environment

- Propose to the company owning the land to amend the provisions of the contract addressing the cost of buildings covered by the right of superficies, term for the right of superficies, benefit received upon its termination and disposal of the right of superficies, in a way that would be more favourable for the state.
- If the Ministry plans to establish another collection centre under the national waste management plan, avoid the shortcomings pointed out in this report.

The Minister of the Environment and Director of the Information and Technology Centre of the Ministry of

the Environment submitted their replies to the observations listed in the NAO's report. The auditees did not express their opinion on the implementation of the recommendations given in the report.

The Minister of the Environment and Director of the Information and Technology Centre did not concur with any of the assessments of the NAO and found that the establishment of the South Estonian collection centre for hazardous waste was a well-calculated decision in every way and was carried out in the best possible way and under favourable conditions for the state.

Analysing the standpoints stated in the official reply, the NAO does not consider it reasonable to change the assessments given in the report.

The NAO thanks the Ministry of the Environment and the Information and Technology Centre of the Ministry of the Environment for their cooperation in preparing materials necessary for the report, discussing the materials and responding to the audit report in a timely fashion.

Tarmo Olgo
Director of Audit
Audit Department IV