

## SUMMARY

### Performance Auditing Report

#### “Efficiency of Acquisition Control by Competent Authorities”

##### ACQUISITION CONTROL WOULD BE MORE EFFICIENT BY ESTABLISHING A REGISTER OF STATE ENTERPRISES AND ESTABLISHING COMPLETE COORDINATION BETWEEN COMPETENT AUTHORITIES

The state-owned companies have carried out acquisitions, which took over the ownership of the capital of other legal entities. In this way, the Republic of Serbia indirectly acquired shares (stakes) in the capital of these legal entities. The acquisition of financial assets by acquisitions has indicated the need for supervision and control of this process by the competent authorities.

The Ministry of Economy performs state administration tasks related to supervision in public enterprises and state-owned companies, as well as supervision and administrative tasks related to business registers.

The lack of a single and comprehensive register of SOEs has made it difficult for the competent authorities to control the acquisition process. It has also made it difficult to list RS's stake in the capital of legal entities and to accurately represent the financial assets in the RS Balance Sheet.

In the process of accession to the European Union and through cooperation with the International Monetary Fund, the RS has expressed its intention to develop a strategy for managing state-owned enterprises and to publish information on the stake of RS in the capital of state-owned enterprises. Publication of this information is difficult without a register of state-owned enterprises.

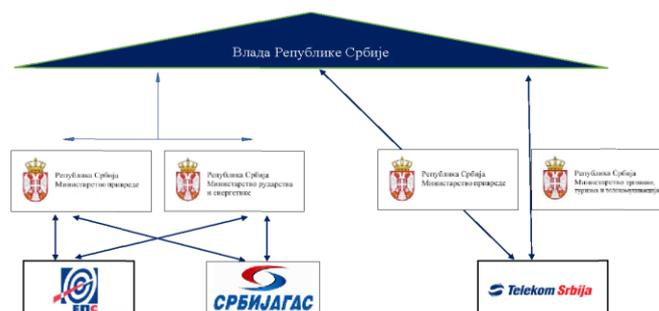
Value of acquisitions made by PE EPS, PE Srbijagas and Telekom Srbija a.d. increased from 154 billion to about 200 billion dinars in 2016–2018.

The legislative and institutional framework provided the conditions for control of the acquisition process, but incomplete coordination between the competent authorities and the governing bodies of state-owned enterprises reduced the effectiveness of the controls.

The RS Government, the Ministry of Economy, the Ministry of Mining and Energy, and the Supervisory Boards of PE EPS and PE Srbijagas, carried out control of the acquisitions carried out by these two state-owned enterprises. Coordination between the aforementioned competent authorities regarding the acquisition process is established and documented. The control of acquisitions conducted by Telekom Srbija a.d. was carried out by the Supervisory Board of the Company, while the control by the Ministry of Economy was not documented.

Acquisition control by competent authorities

RS // MinEcon – MinMining – MinInd – MinTrade // Powerboard – SrbijaGas – Telekom



In making the decisions on the implementation of acquisitions, the state-owned companies paid the highest attention to the strategic goals in their analyses.

### RECOMMENDATIONS

The SAI has issued the following recommendations:

#### To the Ministry of Economy to:

- To establish a single and comprehensive record of state-owned enterprises in which the Republic of Serbia has a share in the capital, which would include the percentage of share, basic business performance and consolidated ownership of state-owned enterprises;
- To establish guidelines for conducting operations that would relate to setting strategic goals, improving work and business operation, and overseeing state-owned enterprises.