



REPUBLIC OF SLOVENIA
COURT OF AUDIT

AUDIT REPORT

Efficiency of a part of the operations of the company Telekom Slovenije, d.d.

Performance audit

Audit period: 1 January 2019 to 31 October 2022



Telekom Slovenije

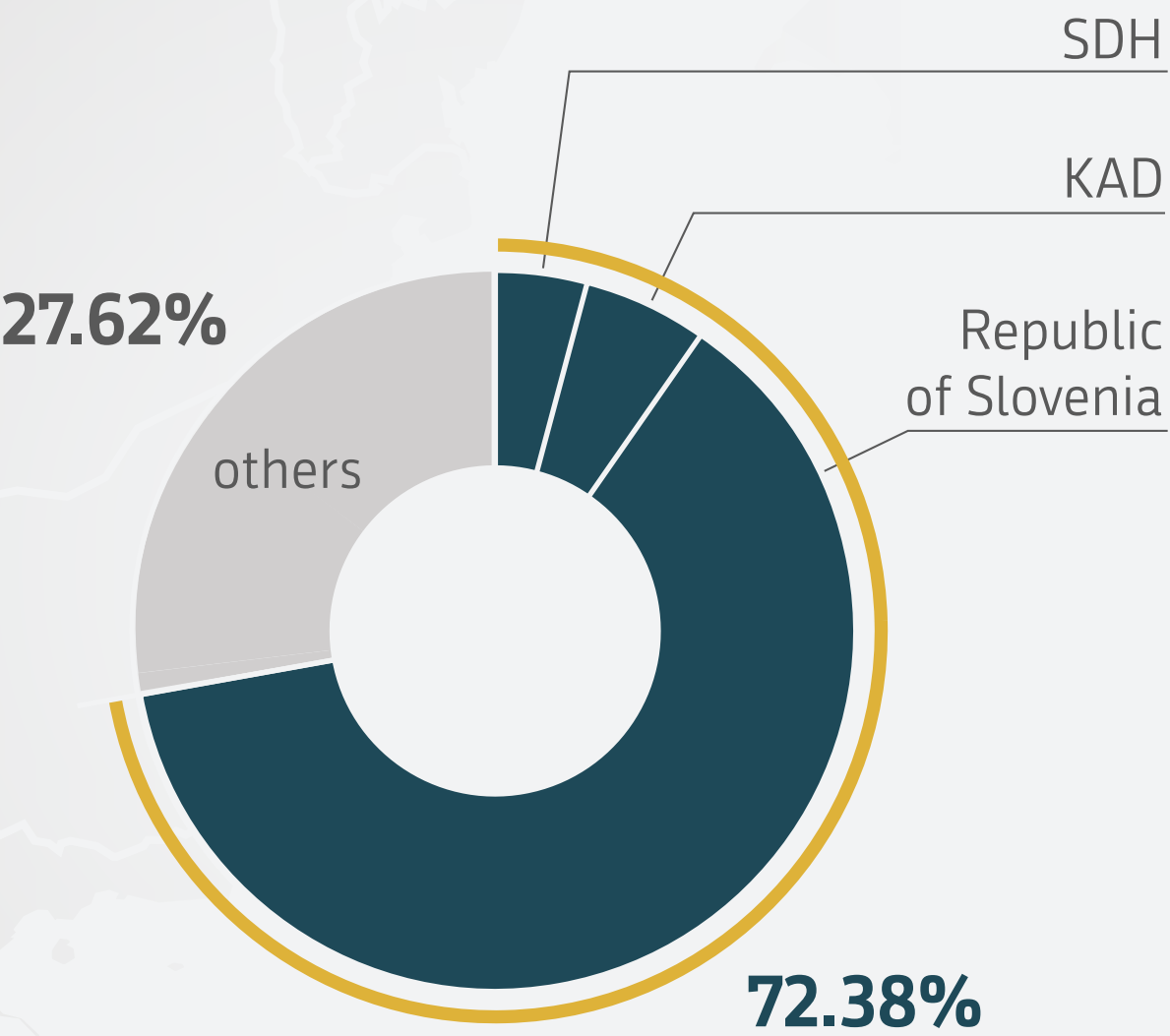
is a commercial company which is **majority State-owned** and with an average annual revenue of € 600 million.

Telekom Slovenije Group

Telekom Slovenije



Shareholder structure



What was audited?



income and other rights of the management, directors of organisational units and directors of subsidiaries in 4 years, the company was managed by **3 management boards** and controlled by **3 supervisory boards**



marketing

spending **€ 6.5 million** makes Telekom Slovenije one of the biggest domestic advertisers



sponsorship and donations

€ 7.9 million in 4 years for sports, science, culture, humanitarian purposes



managing, sale and purchases of subsidiaries

3 sales and 1 purchase



projects New sources of revenue

sale of electricity, online market and mobile purse



cable retransmission

paying **copyrights** for transmitting TV programmes

OPINION OF THE COURT OF AUDIT

 **Telekom Slovenije** was **partially efficient.**

RECOMMENDATIONS

The Court of Audit proposed **33 recommendations** to improve the company's operations.



Income and other rights



Basic
average salary:
€ 12,346 gross



14 members exchanged
their roles in 3 compositions of a
5-member management board.



Basic
average salary:
€ 8,453 gross



32 directors exchanged
their roles in 15 to 19
organisational units.



€ 356,000
Telekom Slovenije
€ 2.5 M
subsidiaries

14 subsidiaries were managed by
20 directors.

Management personnel

- ⊖ income **not harmonised** with the general assembly
- ⊖ income defined **at maximum legal limit**
- ⊖ **defining** income and other rights **not explained**
- ⊖ **providing rights that was not obliged to**
(severance pay, notice period when terminating the
employment without working tasks specified, employment
after termination of office at the best paid working posts)

Directors of organisational units

- ⊖ **not transparent** allocation of income
and other rights (no criteria and explanations)
- ⊖ **providing rights that was not obliged to**
(severance pay, notice period when terminating
the employment without working tasks specified,
temporary lay-offs)

Directors of subsidiaries

- ⊖ **no rules** on defining income
- ⊖ **at the same time 2 contracts made for the same work**
and the total payment higher than the one received by
the president of the management board of the group
- ⊖ **double payment** for unused annual leave



IMPLEMENTED MEASURE

- + **several internal
regulations referred to
allocating income and
other rights were adopted**



Marketing



Planning costs of advertising

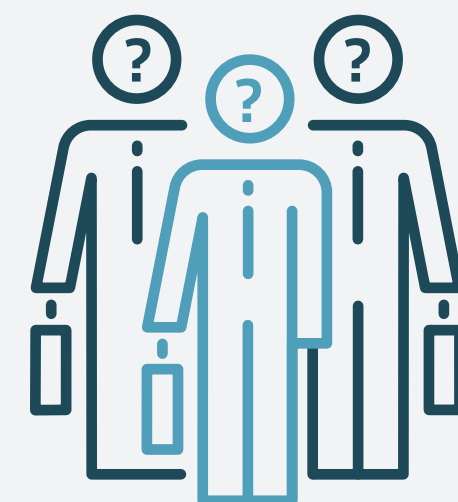
- + planned in strategic business plan
- + use of planning tools



Preparation of annual plans

(leasing of advertising space)

- it is **not possible to compare** realised costs of campaigns and planned costs
- + **planning of costs** depends on the planned marketing actions
- **resource distribution** does not depend on media reach and viewership of TV channels



Selection of service providers

public procurement

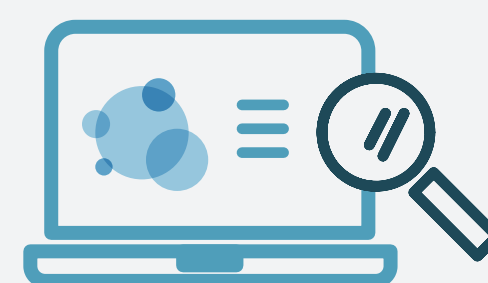
media agency

- + market research
- + invitation to submit tender
- + evaluating tenders

direct awarding of contracts

other service providers

- poorly substantiated decisions on directly awarded contracts



Ordering and monitoring of services provided

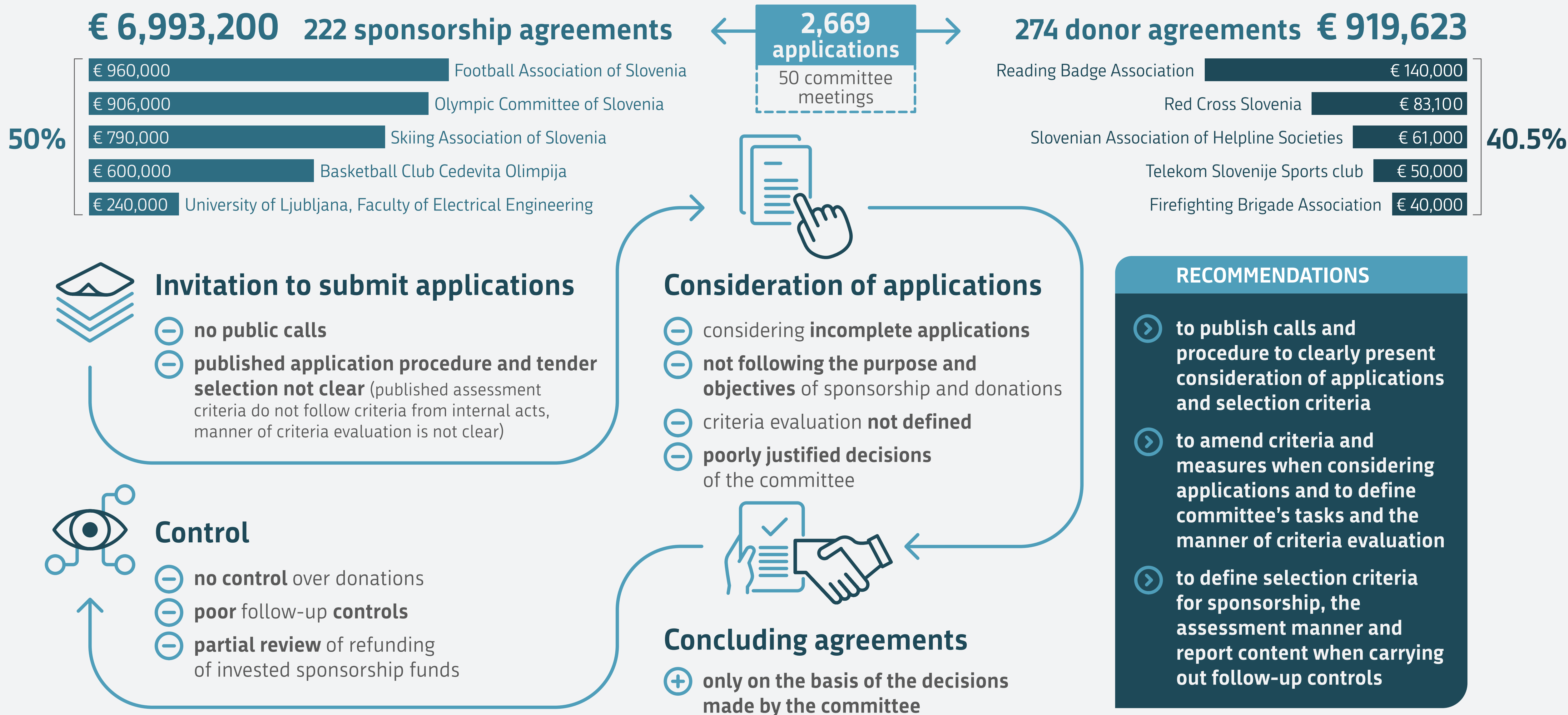
- **content** of awarded contracts **not sufficient**
- **use of non-unified and inappropriate criteria** in decision-making process related to sponsorship of TV shows
- **incomplete monitoring** of ordered services implementation

RECOMMENDATIONS

- > to **define criteria** for distributing resources among media
- > to **define the content** of awarding contracts
- > to **define procedure** of verifying media plans and received tenders



Sponsorships and donations





Managing, sales and purchases of subsidiaries

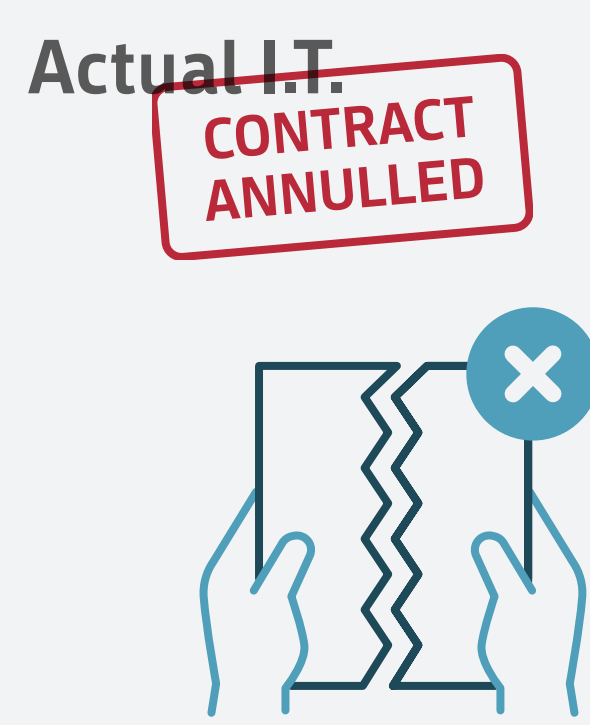
- + **information** on subsidiaries' operations **obtained regularly, timely and systematically**
- **basic principles of managing** subsidiaries **not defined** in internal acts
- **sale procedures not defined** in internal acts
- **the objectives** planned to be achieved with each subsidiary **not defined**
- **no foreseen sales** in strategic business plans

Sale procedures



- preliminary **analyses** not undertaken and **objectives not defined** (in one case)
- **initial valuations** of companies to be sold **prepared too late**
- management board **failed to adopt a decision** on the start of the sale procedure, while the decision on stopping the procedure was not well substantiated (in one case)
- it would be necessary **to obtain more bids** of potential providers of counselling services

Purchase procedure



Competition Protection Agency did not issue a decision on compliance of foreseen concentration



suspensive condition not met



a contract on the sale of a business share **was annulled**

RECOMMENDATIONS

- > to adopt a multi-annual overall strategy
- > to adopt sectoral strategy for managing, sales and purchases of subsidiary companies
- > to define criteria for listing companies among strategic and non-strategic
- > to define **basic principles** and **review set-up procedures** of managing subsidiaries

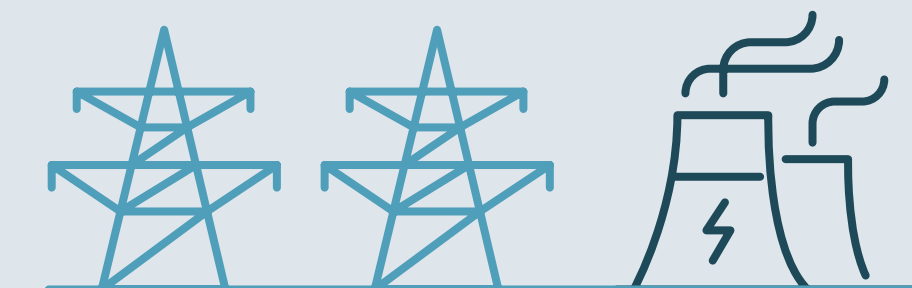
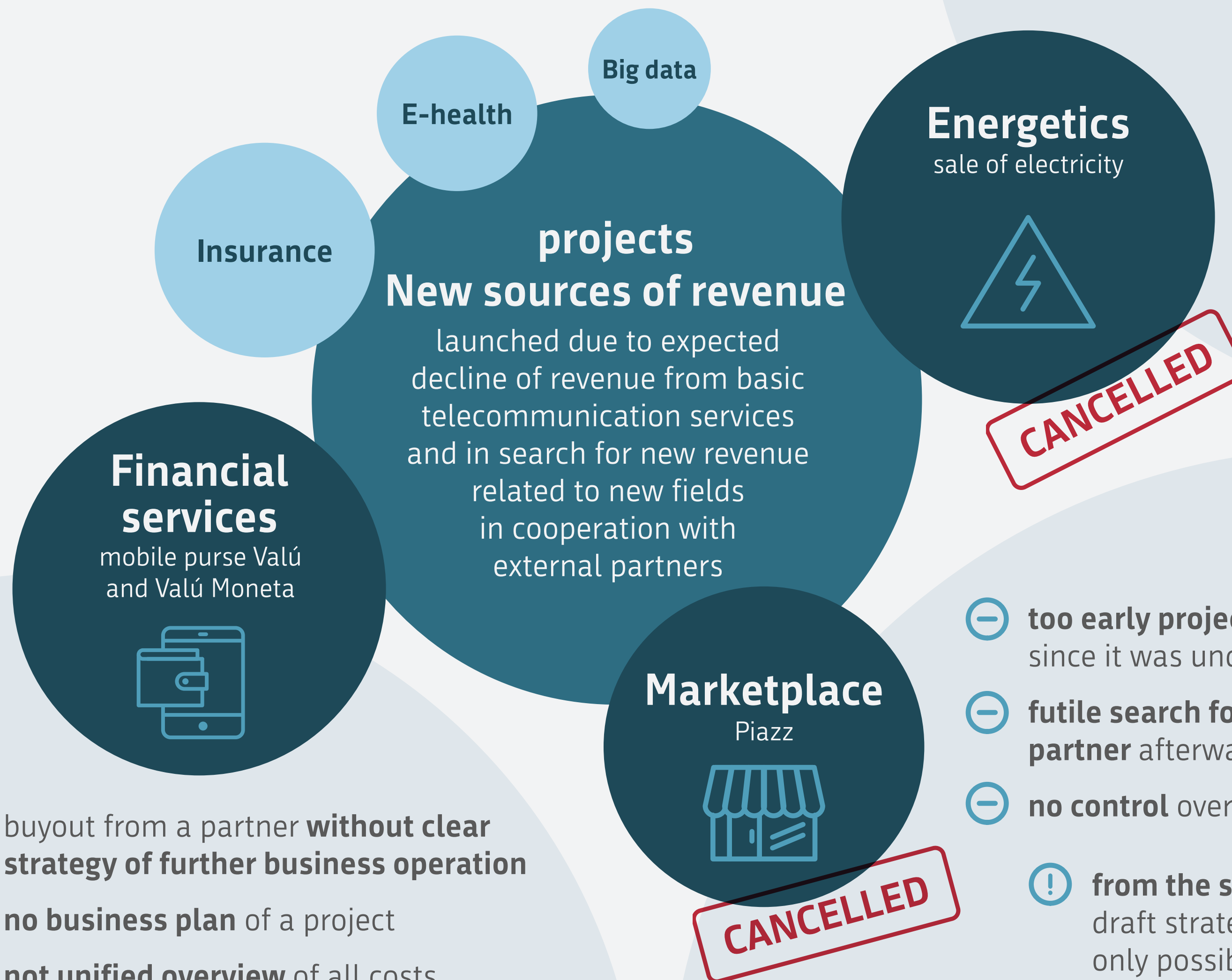
IMPLEMENTED MEASURE

- + **sale procedures of subsidiaries defined in internal acts**



Projects New sources of revenue

- key strategic objectives not defined
- too ambitious plans on high revenue
- heavy dependence on strategic partners
- internal regulations not followed when planning and managing projects
- creating loss



- not clear why a sole supplier was selected
- not able to alter the business model of purchase
- after the termination, **outflow of customers** of other services

- too early project start-up since it was underdeveloped
- futile search for business partner afterwards
- no control over the bid



- ! from the same company received an idea, draft strategy and plans, selected it as the only possible supplier and **paid monthly flat rate even after the project was terminated**

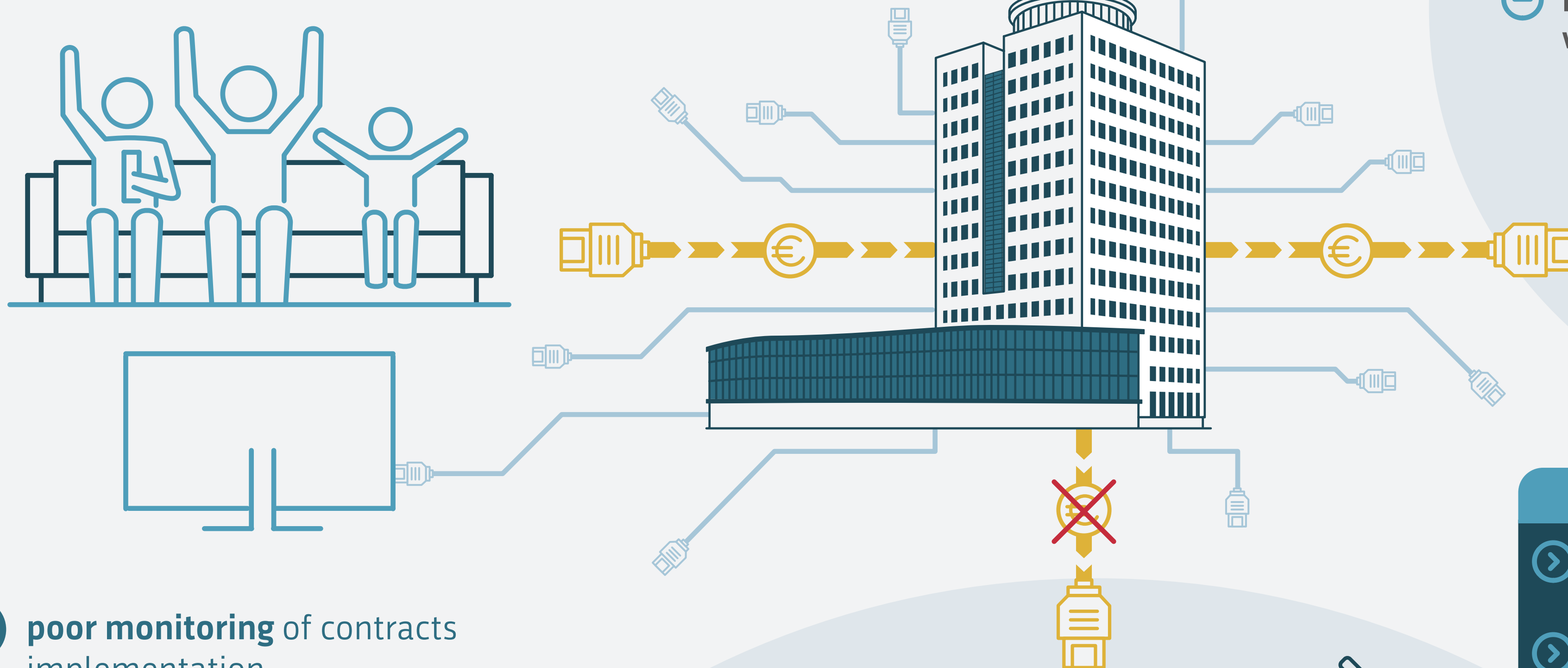
- buyout from a partner **without clear strategy of further business operation**
- no business plan of a project
- not unified overview of all costs





Cable retransmission

Telecommunication operators must pay monetary compensation to TV programme broadcasters, authors or their representatives for transmission and communication of copyrighted work to the public.



- **poor monitoring** of contracts implementation
- **no strategy** on purchase of TV rights and **no rules** on designing programming scheme of TV programmes

- **legal proceedings** due to unpaid services or unilateral reduced payments
- standard **contracts without defining compensation** to be paid for local domestic and regional programmes

- **no unified methodology** for defining provisional price of compensation
- **not necessary that payments reflect viewership** of TV channels

RECOMMENDATIONS

- **to adopt management strategy on TV rights**
- **to adopt rules on managing purchases and programme rights**
- **to review market situation before concluding contracts and to prepare economic and financial analyses**