

SUMMARY

Performance Auditing Report

“Leasing of business premises owned by local self-government units”

The City of Belgrade and the cities of Novi Sad and Nis could significantly increase the business premises lease income through strategic management, establishing comprehensive records, taking effective measures when renting office space and by adequate control

Local self-government units have at least 16 thousand units of office space (total area of 1.8 million m²) that represent a potential source of rental income. In previous audits, the State Audit Institution found that complete records of office space and adequate control activities were not established when renting out office space. For this reason, the State Audit Institution conducted performance audit of doing business on the topic of renting business premises owned by local self-government units, and concluded that the City of Belgrade and the cities of Novi Sad and Nis:

Average realized rent per m² in 2018 (BG, NS, NIS)

1. Have not established comprehensive record of office space. Due to the long-standing and still unresolved property-legal status, public ownership of 33% of office space (separate parts of buildings) of the total area of business premises available to them is entered in public records;
2. Have not documented a manner of assessment of the initial amount of rent and have not taken sufficiently effective measures when leasing office space using appropriate marketing to achieve the best lease price, and have not taken measures to collect receivables more efficiently. The total amount of office tenant receivables increased by 15% in 2016–2018, amounted to RSD 8.2 billion as of December 31, 2018 (73% of claims are over three years in arrears);
3. Have not adopted commercial space management to set long-term goals and guidelines for commercial space management and disposal, taking into account the economic and development interests of local government units. The cities of Belgrade and Novi Sad have not established adequate control over the use of office space by tenants.



Recommendations

The State Audit Institution has issued the following recommendations to the City of Belgrade and the cities of Novi Sad and Nis:

1. To establish a comprehensive record of business premises, and take action to record public property rights in a public real estate ownership register and titles on the real-estate;
2. To assess the initial amount of rent, to apply appropriate marketing to achieve the best lease amount, and to execute more efficient collection of rent receivables;
3. To adopt an office space management plan and establish an effective internal control system.