Economic activities of the Valga County Vocational Training Centre

Audit report no. 2-5/04/15 of March 16, 2004

Executive summary

The Valga County Vocational Training Centre was established in 1999 when the Helme and Valga Vocational Schools were merged. The Training Centre teaches the professions of cook, joiner, dressmaker, stock manager, locksmith, transport manager, social care worker and tourism manager. In 2003, the Centre had about 500 students. In addition, adult vocation training was provided. The Centre's budget in the said year was 10.7 million kroons.

Main findings

Although the Ministry of Education and Research has several departments engaged in control and two administered public departments dealing with schools, the Vocational Training Centre's internal control system has not been sufficiently analysed and assessed. The Centre has not been given any recommendations to implement or improve management and control measures. Allegedly, the Ministry was aware of the deficiencies in the Centre, but appropriate reaction did not follow.

The audit indicated that the Training Centre's management has been unsatisfactory for a long time. The SAO detected violations of a number of laws (incl. the Accounting Act, the Public Procurement Act, the Government Property Act). The Director, M. Salundi has neither organised the accounting in the proper manner nor ensured the functioning of the internal control system.

The law requires that the accounting ledgers and journals, contracts, financial statements and other documents concerning economic activities must be preserved for 10 years, but some of the documents pertaining to the economic activities in 2000 and 2001 have not been preserved due to the unsatisfactory organisation of accounting. The accounting policies and procedures did not regulate all the issues required by the legislation. There were major shortcomings in asset accounting: for a long period, there were no reliable fixed asset inventories, substantive inventories were not carried out, the statements concerning asset write-offs were neither reliable nor comparable. The regularisation of fixed asset accounts began only in 2002 when a large share of assets unnecessary for the Training Centre was already liquidated.

During the period following the evaluation, remuneration was paid improperly to teachers. Several teachers were paid lower salary over the years, although they should have earned more as from the day of evaluation. Also, there were problems with the payment of salary and holiday pay to the Director. Altogether, the Director unduly received 14,785 kroons in the form of various extras (extra pay for teaching work, etc). Every year the Director terminated his ordinary vacation, but the accounting officers had made no recalculations as to the holiday pay. This should have been done in the case of three years, in the total amount of 32,700 kroons. Over the years, the Director had exceeded the monthly maximum cost limits for car fuel and thus owes the Training Centre about 16,000 kroons.

The Training Centre has failed to announce a public tender in several cases where this should have been done to comply with the law.

There was no register for construction and renovation contracts throughout the audited period and not all of the contracts and the instruments of delivery and acceptance of works were produced during the audit – some documents were only being compiled in the course of the audit. In several cases the renovation contracts did not specify the cost of work, providing that payment will be made on the basis of invoices. However, the final cost of work was not sufficiently substantiated.

Although the right to use government property may be granted free of charge only to another administrator of government property for the exercise of public authority, the Training Centre had done so in other cases as well, thus violating the law. The right to use a sauna building had been granted to a private person free of charge and a diner had been placed at the disposal of a self-employed person in the same manner.

The entire documentation concerning the transfer of property was inadequate, making it complicated to assess the lawfulness of all transactions. However, it can be said for sure that government property was

transferred despite the fact that the Training Centre did not get a permission to sell property at an auction from the Ministry in 2001. Also, there were no reliable records on which assets were sold at the auction and at what price. At the time of audit, the monetary consideration for some property was yet to be received in full.

Main proposals to the Minister of Education and Research

- To decide whether M. Salundi is suitable to hold the position of the Director of the Vocational Training Centre, given that he has not ensured the required accounting in the Centre or established internal control over the management of economic activities and that he has allowed infringements with regard to public tenders and to transactions involving government property.
- To ensure the performance of functions stemming from the statutes of the Ministry's structural units and the administered public departments and to strengthen control over the economic activities of schools.
- To determine who must approve the budgets of vocational training institutions and to provide for the corresponding legislative modifications.

Main proposals to the Director of the Vocational Training Centre

- To ensure the proper recording of economic transactions and document cycle and that the documents reach the accounting unit. To ensure internal control over financial transactions.
- To establish an internal control system to ensure correct and reliable accounting of property.
- To pay the senior teachers retroactively the salary not received as from the moment of their assuming the relevant office.
- To repay the unduly received remuneration and the car fuel cost exceeding the monthly maximum limit and to make a recalculation as to holidays.
- To determine why a public tender was not organised in all the required cases and to decide on the liability of employees whom this omission can be attributed.
- To take measures to align the contracts for the grant of use of government property with the requirements provided for by the legislation.
- To require the buyers of the assets of the Vocational Training Centre to pay their debt immediately.

***

The Minister of Education and Research announced in his response that the strengthening of control over the economic activities and accounts of public schools has already begun. For example, the Ministry recommends amending the statutes of the Government Property Administration Office, since the Office currently lacks the possibility of exercising independent control.

The Minister agreed that, although the Minister approves the budgets of public departments within his government area, the legislation does not specify the exact procedure for approving the subdivisions of budgets and the division of tasks has not been determined. The relevant amendment proposals are planned to be submitted in 2004.

Relying on the SAO draft audit report, the Minister intends to punish the Director of the Vocational Training Centre under the disciplinary procedure by reprimanding him. The Minister does not find it necessary to terminate the employment contract with him.

The Board of the Vocational Training Centre decided that by the end of March the Director must prepare an action plan for the elimination of deficiencies pointed out in the audit report and report to the Board on the implementation of the said plan at the Board meeting, which takes place in April.

The Director of the Vocational Training Centre produced an action plan for the elimination of deficiencies to the SAO and announced that remedial action has already started.

Jüri Kõrge
Chief Auditor of the Operational Risk Audit Department