Economic activities of the Labour Market Board and its local authorities in 2003

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Summary

The State Audit Office audited the economic activities of the Labour Market Board (incl. local employment offices), an institution administrated by the Ministry of Social Affairs, in 2003. An audit report was prepared as the result of audit. According to our assessment, in 2003 the organisation of accounts in the Labour Market Board and its local authorities (local employment offices) failed to meet with requirements stipulated in the Accounting Act, general guidelines, guidelines issued by the Accounting Group and regulations passed by the Minister of Finance. The Procedures applied by the offices were not sufficient to assure accurate recording of accounting information. At the same time the respective information is used to prepare annual accounts. In addition to the failures of the Labour Market Board we can also observe the failures and omissions of the Ministry of Social Affairs in coordinating the organisation of accounting efforts and implementation of other internal control systems. For example, the following omissions were detected:

- Accounting policies and procedures were insufficient and missing altogether in some of the employment offices. Therefore, the organisation of accounting according to common principles is not assured. For that reason, the accounting in some of the employment offices was organised according to cash-accrued principles instead of the required accrual principles. This was also the reason for the failure to record some of the claims and liabilities and receipts and expenses.
- Transactions with cash were not recorded as cash transactions in several local employment offices.
- Stock had not been taken of claims, advanced payments and liabilities as of the date of balance sheet compiling; the respective amounts had also not been valued on the basis of the probability for the receipt thereof.
- In 2003, the Labour Market Board had not required any of the debtors to pay any charges for delayed payment, stipulated in respective contracts, therefore failing to meet its obligation to claim the damages caused to the state by failure to comply with the contracts.
- As of 31.12.2003, the obligations not recorded on accounts amounted to at least 727 100 kroons.
- Weakness of internal control system had facilitated the making of an unreasonably large (3,836,525 kroons) advanced social tax payment for the unemployed to the Tax Board by the Ida-Virumaa Employment Office.
- Data included in employment service register program can’t be compared to the accounting information. Employment service register can’t be used to make inquiries at a random moment to learn the value of consolidated amount allocated to the beneficiaries of employment subsidies but not yet paid or to be refunded by the beneficiaries.
- There is no functioning internal control system applicable to the organisation of public procurement, assuring the compliance with the limits established in the Public Procurement Act as goods and services are purchased. In several cases, public procurement has not been organised at all while in general, not an open but a negotiated tendering procedure without prior publication of a tender notice was used to purchase labour market training services.
- Contracts of Lease, concluded to lease the facilities in the building of the Labour Market Board at Luha Street 16, did not comply with the rules of procedure applicable to the rules of procedure for the granting of a use of state assets or the State Assets Act. Also, the principle of avoiding losses and increasing the benefits was not observed when transactions with state assets were conducted.

Main proposals to the Minister of Social Affairs

- The internal control systems should be improved in such a way as to assure the compliance with the Accounting Act, good accounting practice and general procedures as accounting is organised and reports prepared, incl. timely recording of transactions made with assets held by the institutions and safekeeping of assets.

- Divisions should be given detailed guidelines, considering the specific features of the divisions before the compilation of annual accounts. Also, measures to monitor the compliance with the guidelines given to the administrated units should be developed and implemented.
- For avoiding a situation where there is no overview of employment services available in the employment services register and the payments to be made on the basis of the Unemployed Persons Social Protection Act, but also the outstanding claims as of the moment for their incurrence, the employment services register should be updated to allow the entering of refund claims, receipts, etc. and the option to make enquiries concerning any specific moment of time. An opportunity for comparing accounting information with the data in the unemployment register should be provided.
- The internal control system should be improved in such a way as to assure the organisation of public procurement according to the Public Procurement Act.
- As for financial management, above all, supervision over the utilisation of state assets should be improved. The value of damages, caused by the conclusion of contracts of lease, harmful for the state, should be established and require the persons accountable to compensate for such damages. Measures should be applied to claim the payment of outstanding lease amounts from the debtors. As in 2004 the Ministry of Social Affairs took over the building at Luha Street 16 and the administration thereof, the Ministry should now analyse all the terms and conditions, set out in the contracts of lease and whether the tenants comply with the aforementioned terms, accompanied by the attempts to make amendments in the conditions and periodic comparison of receipts from contracts of lease and the expenditures made.

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Both the Minister of Social Affairs and the Director General of the Labour Market have responded with a letter, providing explanations concerning the omission detected and intended measures to be taken to eliminate the omissions.

Kaie Karniol
Chief Auditor of the Financial Audit Department