Economic activities of Ida-Viru County Government and institutions within its administrative area in 2003

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Introduction

The State Audit Office audited the economic activities of Ida-Viru County government and the institutions within its administrative are in 2003, focusing on the legitimacy of economic transactions, organisation of accounting and implementation of internal control systems.

Main observations and conclusions drawn by the State Audit Office with regard to Ida-Viru Country Government

The County Government has failed to regulate accounting and organisation of general working procedures in the institutions within its administrative area, therefore, the accounting of the institutions is insufficient and the control measures not appropriate. Also, the heads of institutions and accountants have poor knowledge of the regulations and legal acts in force.

Essential deficiencies were detected in the recording of fixed assets; therefore, the accounting information does not provide a fair and reliable overview of the assets. The County Government has failed to implement common principle and internal control procedures in the institutions within its administrative area, assuring the legitimacy and correct recording of transactions related to the assets held by all the institutions and safekeeping of the assets.

Calculation of receipts does not comply with the regulations in force. Major omissions were detected in recording receipts from the privatisation of land, payment for a right of superficies and economic transactions. State fees received have not been recorded at all.

Considerable omissions were detected in calculation of personnel expenditures; this was mostly related to insufficient internal control procedures. Therefore, fees have been paid illegitimately; taxes imposed on fringe benefits have not been paid and mistakes have been made when calculating holiday reserves. Also, the tax balances have not been reconciled with the information of the Tax Board.

When concluding a Contract of Lease with a private limited company Häcke, Ida-Viru County Government has failed to manage state assets with prudence, therefore, violating both the Anti-Corruption and the State Assets Act. Therefore, the safekeeping of state assets leases can’t be assured.

Main proposals

To Ida-Viru County Governor

- The County Government should consider the qualification of the accountants of the institutions within its administrative area and the accountants’ suitability for given positions. If necessary, training should be organised to improve qualifications.
- Regulations required for work need to be prepared, establishing common accounting principles and internal control procedures to all the administrated institutions.
- Common principles for the management of assets should be developed for the administrative area as a whole; these should be supplemented according to the specific nature of each institution. The respective principles must be considered in accounting policies and procedures. Rules of procedure, applicable to transactions with state assets, need to be approved.
- Assets of the administrative area should be valued according to the common accounting policies and procedures, applied nationwide; assets should be recorded at their real value.
- Internal control procedures should be improved in such a way as to assure the recording of all the receipts in accounting by applying accrued method and receipt of income to be transferred to the state budget by the State Treasury.
- All the transactions related to land privatisation and superficies should be entered in the MIS software; reporting forms assuring the transmission of correct information to the accounting department should be developed.
- Options for handing the non-staff rescue teams of the Rescue Service to companies really needing such teams should be considered.

- Common principles regarding the stocktaking of tax balances, official travel, calculation of holiday reserve and taxes imposed on fringe benefits should be devised to assure correct recording of liabilities and expenditures in accounting records.
- Measures need to be applied to liquidate the consequences arising of conclusion of a null and void Contract of Lease with a private limited company Häckle.

To the Minister of Finance

- To initiate the preparation of a list of state assets in restricted commerce, stipulated by law, to assure the legitimacy of the transactions conducted with such assets.
- To identify all the illegitimate transactions conducted with state assets in restricted commerce and apply measures for the elimination of consequences of such contracts.

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