Economic activities carried out by the Viljandi County Government and agencies administrated by it in the year 2003

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Executive Summary

The State Audit Office audited the economic activities carried out by the Viljandi County Government and agencies administrated by it in the year 2003, focusing on the lawfulness of economic transactions, the organisation of accounting and the functioning of internal audit systems.

Main findings and conclusions

The organisation of accounting in the Viljandi County Government and agencies administrated by it was generally satisfactory. Connections between source documents and reports and between individual accounting programmes and registers were mostly traceable. Procedures used in accounting provide sufficient analytical information about the areas audited by the State Audit Office. Shortcomings were detected in the following areas:

- Some cash transactions had not been recorded in accounting. Such a situation is clearly at variance with the Accounting Act, weakens the control environment and creates favourable conditions for corrupt practices. Unspecified deposits were detected, as well.
- Shortcomings were detected in the accounting of fixed assets, wherefore data indicated in books and records, as well as in reports prepared on the basis of the books and records fail to provide a correct and reliable overview of the value of the assets. Internal audit procedures are insufficient for ensuring the disclosure of the assets of all agencies in the books and records and in the register of state assets, as well as the disclosure of these assets at the correct value.
- Some shortcomings were detected in the reporting of rental income, which had been set off against investment obligations. Internal audit procedures are insufficient for ensuring the correct disclosure of all revenues in accounting.
- As regards staff costs, the taxation of fringe benefits was recognised as a problem. Shortcomings were also detected in adherence to the procedures established by the Government of the Republic, incl. in the calculation of holiday pays and in the payment of daily allowances for business trips.

Main proposals to the County Governor

- To amend the accounting policies and procedures and the internal audit procedures of the area of government, in order to ensure the disclosure of all cash and bank transactions in accounting, and to supervise adherence to the policies and procedures.
- To bring data entered in the register of state assets into conformity to accounting data.
- To valuate the assets of the area of government in pursuance to the general regulation of accounting and to record assets in accounting on the basis of the actual value thereof.
- To improve the internal audit procedures to ensure the accrual-basis disclosure of all revenues in accounting and the transfer of all revenues, which are subject to transfer in the state budget, in the State Treasury.
- To improve the internal audit procedures to ensure the lawfulness of transactions relating to staff costs, incl. the accounting of the holiday reserve, the taxation of fringe benefits, etc.
- To develop and establish uniform principles concerning business trips, incl. the preparation of directives and reports and the payment of daily allowances.

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