The Communications Board's organisation of accounting and legality of transactions in 2004

Audit Report No. OSIV-2-6/05/62 of June 30, 2005

Executive Summary

The SAO audited the economic activity of the year 2004 of the Communications Board that is in the area of government of the Ministry of Economic Affairs and Communications, with the objective to evaluate the organisation of accounts, legality of economic transactions and functioning of internal audit systems.

Relevant observations and findings

While evaluating the organisation of accounts and internal audit system of the Communications Board in 2004, the SAO observed and found the following:

- The accounting of revenue and claims has been based on the general rules of state accountancy and the good practice of accounting. In the opinion of the SAO, the internal audit procedures are sufficient to ensure that all revenue is reflected properly in accounting.

- Operational and personnel expenditure and accounting for taxation purposes was generally based on the general rules of state accountancy and the good practice of accounting. The principle of economic management was not always followed in the implementation of expenditure.

- Acquisitions and improvements of fixed assets financed from operational expenditure was recorded as expenses, though they should have been recorded as investment.

- In the inventory of bank accounts and cash, the requirements established in the general rules of state accountancy were not followed, the Communication Board also lacked rules for cash resources.

While auditing the legality of transactions of the Communications Board in 2004, the SAO observed and found the following:

- The economic transactions of the Communications Board in 2004 were mostly in compliance with the legislation in force.

- In rewarding the employees, the requirements established in Regulation No. 342 of December 19, 2003 of the Government of the Republic on remuneration of civil servants were not met.[1]

Major proposals

To the Minister of Economic Affairs and Communications

- When approving the Communications Board's budget, the agency's needs relating to acquisition of fixed assets should be evaluated and regarded as investments not operational expenditure.

- Require the Director General of the Communications Board to organise the work of the Board in a way that

    - the organisation of cash transactions would comply with the general rules of state accountancy and the good practice of accounting;
    - in the inventory of assets and obligations, the reliability of the inventory would be ensured and the principle of separation of obligations be followed;
    - the inclusive and timely registering of the fixed assets would be ensured, so that acquisition and improvements of fixed assets would be regarded as investments not operational expenditure;

- In rewarding the employees, the principles for the remuneration of civil servants established by the Government of the Republic would be met.

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The Minister of Economic Affairs and Communications declared that concurs with the proposals presented to him about enhancing the procedure of budgeting and improving the supervision of the functioning of the agency's internal audit systems.

The Director General of the Communications Board concurred with most (but not all) of the evaluations given by the SAO to the organisation of the agency's operations.

The Communications Board is of the opinion that the limit established by the Government of the Republic on additional remuneration to agencies in 2004 – up to 50% of the respective salary rate of the post's salary grade in a month – did not limit the awarding of employees. The SAO concurs with the objection of the Communications Board.

The Communications Board did not concur with the opinion of the SAO that the lease of the laptops should have been recorded as financial lease not operational leasing. The SAO retains its opinion – as with the entry into contract all the relevant risks and benefits related to the leased assets passed on to the Communications Board, it is regarded as financial lease.

The full text of the response of the minister and the Director General of the Communications Board has been appended to the report.

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