Economic activities of State Gazette Publisher in 2004

Audit report No. OSI-2-6/05/90 of July 26 2005

Summary

The objective of the audit carried out pursuant to the 2004 work schedule of the State Audit Office was to give an overview of the economic activities of State Gazette Publisher (hereinafter also referred to as SGP) from January to September, 2004, focusing on reflecting the company's financial management – recognition of revenue, calculation of State Gazette's ordering and cover price, expediency of expenses – and pointing out main observations about the legality of operations and functioning of internal audit system.

Simultaneously with the SAO audit, the Internal Audit Department of State Chancellery carried out a follow-up audit of State Gazette Publisher, with the objective to evaluate the compliance of the organisation of accounting with the good practice of accounting and general rules of state accountancy, evaluate the purposeful and economical use of budget funds, and follow-up audit of the implementation of suggestions of the 2003 audit "Use of state budget funds in State Gazette Publisher".

In areas that were audited by the internal auditor of State Chancellery, the SAO relied on the observations of the internal auditor.

Main observations

- In the evaluation of the SAO, there are several relevant weaknesses in the calculation of the cost price of SGP printing services (State Gazette and other printing services). In the accounting policies and procedures co-ordinated with the Director General of the State Chancellery, the principles used for calculating the price (cost accounting of various products, proportions for cost breakdown, etc.) are not sufficiently explained. In the course of the audit, the auditors found that the cost breakdown proportions used for the cost model given in the annexes to the accounting policies and procedures do not comply with actual indicators.

- The analysis of the print-shop's use of working time showed that approximately one third of the employers' working time was spent on the main activity, i.e. printing of the State Gazette. In the evaluation of the SAO, this refers to the fact that the work in the print-shop is organised ineffectively.

- During the audit of accounting, the auditors identified the recognition of the company's revenue and expenditure in wrong periods. This means that the main principle of accounting on the conformity of revenue and expenditure has not been followed. Incorrect periodisation of revenue and expenditure will in turn affect the products' price calculation.

- Observations made during the participation in inventories of assets (i.e. fixed assets, stock) refer to weaknesses in the calculation of State Gazette Publisher's assets, as a result of which the preservation of assets and proper recognition in annual accounts is not ensured.

- At the end of 2003, State Gazette Publisher obtained supplementary devices to the existing digital printing press, in the amount of EEK 817,537. Devices were planned to use for printing revenue stamps, about which there allegedly existed an oral preliminary agreement with Tax and Customs Board. However, the said order was not fulfilled, and the supplementary devices have not been used.

Suggestions to the Director General of the State Chancellery and the Director of State Gazette Publisher

- When accepting investment applications, the Director General of the State Chancellery should require the director of the company to submit the obtainment's cost-benefit analysis and its connection with the company's objectives of activity.

- Director General of the State Chancellery should ensure that the Director of State Gazette Publisher implements the following suggestions and organises the work of the company in a way

that

- the accounting policies and procedures or procedure established on its basis would give an exhaustive overview of the cost price formation of State Gazette and other printing services;
- the opportunities to make the print-shop's work organisation more effective or to buy in printing services;
- the weaknesses identified weaknesses in the calculation of State Gazette Publisher's assets in the course of the inventories will be eliminated;
- the principle of conformity of revenue and expenditure will be followed when recognising operations.

In a reply to the SAO, the Director General of the State Chancellery concurred with the suggestions of the SAO and, in cooperation with the Director of State Gazette Publisher, has begun to implement measures to eliminate the weaknesses.

In a reply, the Director of State Gazette Publisher concurred with the suggestions of the SAO and presented an overview of the implementation activities planned and already carried out.

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