Economic activities of the National Heritage Board in 2004

Audit report No. OSIII-2-6/05/70 of 13 July 2005

Summary

The goal of the audit was to assess the economic activities of the National Heritage Board in 2004, focusing on the organisation of accounting, the legality of economic transactions and on the functioning of financial management and internal audit.

The budget of the National Heritage Board for 2004 was 37.5 million Estonian kroons.

Main observations

Some of the shortcomings specified in this audit report can be attributed to the omissions of the Ministry of Culture.

The ministry has not established any accounting policies or procedures that would be in compliance with the general rules for state accounting and specify additional requirements for entities forming part of the ministry as an accounting entity. No rules for cash in hand, which would comply with the requirements of the general rules and state the maximum limit for cash in hand as well as the rules for transportation, documentation, inventory-taking and security of the cash in hand, have been established for the National Heritage Board. As of 1 May 2004 no rules for taking cultural goods outside the Republic of Estonia, which would help to secure the preservation of the national cultural heritage, ensure keeping cultural goods in the country and give the National Heritage Board a legal basis for issuing permits for exporting cultural goods and charging a fee for the expert assessments made for that purpose, have been established.

The audit showed that the internal audit system of the National Heritage Board does not ensure the preservation of assets:

- no inventory checks of the fixed assets have been carried out for over eight years preceding the financial year; the annual inventory check of 2004 was carried out in January-February 2005;
- minor assets accounting was available only for 2004 and it did not cover everything;
- the data of the state assets register and the data of the fixed assets register was partially different;
- the date of various source documents regarding receiving expert fees was several months earlier than the actual date of accrual of the money in cash.

Upon letting rooms, not all possibilities for maximising the income had been used. The National Heritage Board has published books and other publications, but they were not duly accounted, they were sold below the cost price and at times they were also given away for free.

The income from state fees, fines and penalty payments was accounted on cash basis instead of the required accrual method of accounting. Therefore there is no overview of how much income was supposed to accrue, how much money has been received and how much money is still outstanding. There was also no accounting of how many operations, which are subject to a state fee, have not been performed as of the end of the year and how much state fees have been received for these operations in advance.

In several instances the Board had entered into a contract for restoration of monuments with entrepreneurs who did not have an activity license issued by the Board for performance of the work. In several instances the Board has accepted reports on using the allocated support, where the work performed and other activities of the beneficiary did not meet the terms and conditions of the contract. The contracts made do not ensure purposeful use of the support and there are no provisions pertaining to a breach of the terms and conditions of the contract or to the use of the received money for purposes other than its intended purpose, etc.

Several shortcomings were eliminated during the audit.

Main suggestions

To the Minister of Culture

- Ensure drafting and implementation of uniform accounting policies and procedures in the agencies in the area of government of the Ministry of Culture and drafting and implementation of the rules for cash in hand in the National Heritage Board.

- Enhance drafting the bill on the protection of cultural goods.

- Decide which heritage conservation activities need to be supported by publications of the National Heritage Board and whether the issuance of scientific monographs should be the task of the National Heritage Board.

To the Director-General of the National Heritage Board

- Modify the internal audit system of the National Heritage Board in such a manner that the following is ensured:

    - exhaustive documentation and accounting of the movement of funds and periodic and special audit of the existence of funds;
    - annual inventory checks;
    - commissioning work performed on monuments from persons who have obtained an activity license from the Board.

- Modify the accounting policies and procedures in such a manner that the accounting and preservation of minor assets are ensured.

- Bring the data of the register of state assets into compliance with the actual data.

- Introduce an information system (analytical accounting), which would, based on clients and dates, indicate the operations on which fees have been charged as well as the accrual of the fees.

- Demand that the Accounting Department institute the accrual method of accounting of fines and penalty payments and introduce respective analytical accounting methods for accounting such receivables; obligate officials engaged in proceeding with misdemeanour matters and claiming penalty payments to submit to the Accounting Department copies of documents pertaining to the application of coercive measures.

- Modify and specify the form of the contract made with beneficiaries of support in such a manner that it would set out the sanctions in the event of a breach of the terms and conditions of the contract and rule out any ambiguity of the provisions of the contract.

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In a reply the Secretary-General of the Ministry of Culture agreed with the suggestions of the State Audit Office. The Secretary-General stated that the publications published by the National Heritage Board must be subjected to rules which should include the criteria of selection of publications, a draft budget of the publication approved by the Director-General indicating the volume of the planned publication, the number and costs of illustrations, the author's remuneration, the printing costs and the person responsible for the publication. The Secretary-General finds that ongoing accounting and marketing of publications must be regulated within the National Heritage Board and the sales of the publications and the related price levels need to be established by a decision.

The National Heritage Board's Deputy Director-General for Research acting as the Director-General also agreed with most of the conclusions and suggestions of the State Audit Office and submitted a plan of measures to be taken, which indicates that the Board has begun improving the accounting and internal audit systems.

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