Organisation of accounting and economic activities of the Tartu Prison in 2004

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Summary

The State Audit Office audited the accounting of the Tartu Prison in 2004, focusing on the organisation of accounting, the legality of economic transactions and the operation of the internal audit system.

Main observations and conclusions

Upon organisation of accounting, the Tartu Prison has mainly acted pursuant to the General Rules for State Accounting and the accounting principles generally accepted in Estonia and in general, the internal audit system of the prison is at a good level. However, there were some shortcomings.

Organisation of the accounting of the fixed assets of the prison and the internal audit systems are mostly sufficient for ensuring the preservation of the assets and ensuring that the accounting data and the reports made on the basis thereof give correct information about the value of the assets. Nevertheless, assets which are subject to accounting as fixed assets or as improvements of fixed assets have been written off and the accounting data does not coincide with the data of the register of state assets.

Under the Imprisonment Act, imprisoned persons are allowed long visits. In 2004 the Tartu Prison earned 167,122 kroons of income from it. The current organisation of the accounting of the visiting rooms does not ensure that all income is received or that all income received reaches the Accounting Department.

The Tartu Prison has two cash registers: a cash register of the imprisoned persons and a cash register for income arising from economic activities. In 2004 the respective turnover of these cash registers was approximately 600,000 and 800,000 kroons. The prison did not have any cash register rules, which are required by the General Rules of State Accounting. There were also shortcomings upon formalisation of cash register documents.

The prison has made a car lease contract, the qualities of which, according to our estimate, meet those of a financial lease contract. The assets acquired and the obligations assumed under a contract have not been indicated in the balance sheet of the prison.

During the holiday season the Tartu Prison uses temporary auxiliary staff in the shop and in the canteen, with whom a contract for services is made. The payments made on the basis of these contracts are not in compliance with the terms and conditions of the contracts. Furthermore, according to the State Audit Office these contracts are not contracts for services by essence, but fixed-term employment contracts.

Main suggestions

To the Minister of Justice

- Establish rules for cash in hand in the area of government and reduce cash transactions to the minimum.

In a reply the Minister of Justice does not agree with the proposals to establish rules for cash in hand with respect to the entire area of government, because the agencies of the area of government perform cash transactions according to the specifics of the agency. The entities in the area of government have been given the obligation to establish accounting and reporting requirements which comply with relevant requirements and the specifics of the agency.

The State Audit Office draws attention to the fact that according to the General Rules for State Accounting establishing rules for cash in hand is the duty of a state accounting entity, in other words, the Ministry.

- Ensure adherence to the procedure for granting the use of long visit rooms in the prisons of the area of government.

In a reply the Minister of Justice said that he will not establish uniform rules for granting the use of long visit rooms in the area of government. Each agency must establish its own rules for long visits pursuant to the Imprisonment Act and thus, ensure adherence to the said procedure. The Minister advised that the suggestion be sent to the Tartu Prison for fulfilment.

The State Audit Office draws attention to the fact that according to the Government of the Republic Act the Minister is obligated to supervise the performance of the duties of the state agencies in the area of government of the Ministry and to ensure implementation of the internal audit system in its area of government. Since this may be a broader issue, the State Audit Office finds that the Minister should attend to it.

- Avoid assuming obligations prohibited by the State Budget Act in the area of government. Ensure that the obligations assumed are accounted or amend the contracts in such a manner that there would be no such irreversible obligations in the area of government of the Ministry.

In his reply the Minister of Justice does not agree with the claim that the legal permissibility of performance of a transaction for the purposes of subsection 29 (3) of the State Budget Act is determined by Guideline No. 9 of the Estonian Accounting Standards Board. In January this year the Minister of Justice made a proposal to the Minister of Finance to clarify the prohibition set out in the State Budget Act. Furthermore, the Minister of Justice did not agree with the claim that the economic lifetime of automobiles is only 6-7 years.

The Minister of Finance has submitted to the State Audit Office a position according to which upon accounting lease contracts Guideline No. 9 of the Estonian Accounting Standards Board must be followed. The State Audit Office agrees that the situation is currently unclear, but nevertheless proceeds from the interpretations of the Minister of Finance upon making the assessment.

To the Director of the Tartu Prison

- Register the written-off fixed assets in the accounts and bring the data of the register of state assets into compliance with the accounting data.
- Organise unexpected random inspections of the work of the officials of the Imprisonment Department in order to ensure correct formalisation of the documents pertaining to granting the use of the rooms and timely receipt of all sums by the Accounting Department.
- Make fixed-term employment contracts with temporary employees.

In his reply regarding the essence of the contracts for services, the Minister of Justice does not agree with the assessment given, but admits that the payments made under the contracts must be regulated in a uniform manner and their source documents must be formalised correctly.

The State Audit Office remains true to its opinion that the audited agency should enter into fixed-term employment contracts with the temporary staff.

The Director of the Tartu Prison has agreed with all the suggestions made and has planned to take measures for elimination of the shortcomings shortly.

To the Minister of Internal Affairs

- Identify why the Police Board has not submitted to the register of state assets the documents required for making amendment entries, which pertain to the transfer of minivans from the Police Board to the Tartu Prison. Also make the required change in the register of state assets.

In a reply the Minister of Internal Affairs explained that the reason for not making the entry in the register is a contradiction between a directive of the Minister and an order of the Director-General of the Police Board, according to which the assets had to be transferred without charge. Due to this conflict no entry has been made in the register. For operative resolution of the matter the Ministry of Internal Affairs will make a precept to the Police Board to cancel the previous order pertaining to this ammeter and retroactively issue a new, correct order for the transfer of the assets.

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