Accounting organisation of the Saare County Government and the institutions under its authority in 2004

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Summary

The SAO audited in the period of 01.11.2004-14.01.2005 accounting organisation of the Saare County Government and the institutions under its authority in 2004, focusing on legality of economic transactions, organisation of accounting and functioning of internal audit systems.

The main observations and consequences

Accounting organisation of the Saare County Government and the institutions under its authority is generally based on the general rules for state accounting and generally accepted accounting principles. However the internal audit procedures of the Saare County Government and the institutions under its authority are not always sufficient. For example there existed the following deficiencies:

- Not all accounts and cash transactions are recorded.
- Valuation of fixed assets does not ensure a true and reliable overview of all assets and their value. The SAO is of the opinion that public property has not been managed prudently. Institutions have assets that are not necessary for their principal activity.
- Organisation of accounting of received revenues from economic activities does not ensure that all collected revenues are paid in the state budget and that accounts are kept of them.
- Holiday pay reserve is not reported pursuant to the procedure established by the Government of the Republic.
- In some cases commercial lease contracts and contracts of employment or their amendments have not been formalized.

The main proposals

To the Governor

- To settle accounting recognition of the deposit into storage with liability (bank accounts) and transactions with this money in internal provisions of accounting of the Care Home of Sõmera.
- To take into use cash accounts and to introduce cash provisions in order to ensure accounting recognition of all economic transactions in accounting of the Care Home of Sõmera and Kallemäe School.
- To estimate the assets under administration pursuant to the general rules for state accounting and to ensure its accounting recognition according to its actual value.
- An inventory of received revenue of economic activities of Saaremaa Museum should be drawn up and explained the difference between the records of accounting and the data submitted to the Tax Board.
- To lay down the rules of procedure in Saaremaa Museum that will regulate delivery and receipt of tickets, goods and cash and their registration.
- To explain the difference of the registered settlements (receivables from the buyers) and the book of final entry of the Care Home of Sõmera.
- To draw up inventory of holiday pay accounting in Saaremaa Museum, the Care Home of Infants of Kuressaare, Kallemäe School and the Care Home of Sõmera and to supplement organisation

of accounting in order to decrease regeneration of the same deficiencies in the future.

- To consider possibility to decrease the fleet of the Saare County Government and to lay down the procedure for use of company cars.

- To supplement accounting of in a way that accounting of all economic transactions, including accrual based accounting of received revenue of economic activities and municipal expenses will be ensured in the Saare County Government, the Care Home of Sõmera, Kallemäe School, the Care Home of Kogula and Orissaare Boarding School.

- To formalize the necessary contracts and amendments in the contracts in the Boarding School of Orissaare, Kallemäe School, the Care Homes of Kogula and Sõmera, and to organise accounting in a way that there will be ensured availability of basic documents for the payment of earnings and receivables from commercial lease.

- To settle accounting in the Care Home of Sõmera in a way that when purchasing goods and services that exceed the limits laid down in the Public Procurement Act, will be ensured adherence to the requirements specified in the Public Procurement Act.

- To consider disposal of the flats belonging to the Care Home of Sõmera.

To the Minister of Social Affairs

- To find out and hand over the improvement of fixed assets as a result of renovation works completed in the years 2001-2002 and fixed assets of the Care Home of Kogula.

To the Minister of Internal Affairs

- To consider disposal of the flats of the Rescue Service of Saaremaa as not necessary for their activities.

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In his answer the vice Governor of Saare County declared that many of the deficiencies were already eliminated and there had been taken measures for elimination of the rest of the deficiencies in the nearest future.

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