Organisation of accounting and the legality of the transactions of the Maritime Administration in 2005

Audit report No. OSIIV-2-6/06/52 of 10 July 2006

Summary

Jointly with the Internal Audit Department of the Ministry of Economic Affairs and Communications the National Audit Office audited the economic activities of the Maritime Administration in 2005 in order to assess the organisation of the accounts, the legality of the major economic transactions and the activities of the internal auditor of the Maritime Administration. Auditing the Maritime Administration was necessary for the purpose of auditing the organisation of the accounts and the legality of the transactions in the area of government of the Ministry of Economic Affairs and Communications and it is part of the work performed for the purpose of assessment of the aggregate annual report of the state.

Main observations and conclusions

The organisation of the accounts of the Maritime Administration was in material respects in compliance with the Accounting Act, the General Rules for State Accounting and the accounting principles generally accepted in Estonia. Accounting and reporting were at a good level. In material respects the economic transactions of the Maritime Administration were in compliance with the legislation regulating them.

Revenue was accounted in the accounting registers exhaustively. In several instances the payment deadlines in the invoices submitted to agents and shipowners were longer than prescribed by law. There were shortcomings in formalisation of agency contracts: some contracts had not been made in writing, in some the terms and conditions were not in compliance with the requirements arising from the Maritime Safety Act.

Upon incurring costs the total budget limit had been respected, but budget entries did have some non-coordinated budgetary changes between investment entries and expenditure entries. There were shortcomings upon accounting costs as fringe benefits. As for organisation of procurement, the requirements arising from the Public Procurement Act had usually been followed. Written contracts had not always been made upon ordering work and services. Upon awarding the pay it had been complied with legislation and the pay had been paid out of the funds allocated in the budget.

There were shortcomings in transactions with fixed assets. A list of unnecessary fixed assets had been made and according to the list the balance sheet of the institution contained 21 unnecessary real estate objects with a residual value of 2,653,196 Estonian kroons. At the same time there was no action plan for further use or realisation of the property. The residential buildings belonging to the Maritime Administration have almost completely depreciated; the people living in the apartments located in the residential buildings had been granted use of the apartments free of charge, but this is in conflict with the State Assets Act.

The Maritime Administration accepted most of the comments made by the auditors and some mistakes were already corrected during the audit.

Main suggestions

To the Minister of Economic Affairs and Communications

- To take measures for transfer of the residential buildings and premises not needed by the Maritime Administration.

Director General of the Maritime Administration

- To make proposals to the Ministry Economic Affairs and Communications to transfer the unnecessary real property.
- To demand that companies pay the lighthouse and navigation dues by the deadlines provided in the Maritime Safety Act.

***

The Minister of Economic Affairs and Communications noted that the Maritime Administration has been obligated to submit to the ministry by December 2006 proposals for further use or realisation of the unnecessary fixed assets that are in the possession of the Maritime Administration.

The Director General of the Maritime Administration agreed with most of the assessments made in the report of the National Audit Office and gave additional explanations. The explanations given about accounting the acquired assets refer to the need for more accurate planning of the costs of the Administration. The National Audit Office does not agree with the explanation given about the deadlines of payment of the lighthouse and navigation dues, because in joint effect the Value Added Tax Act and the Maritime Safety Act clearly stipulate a deadline during which they have to be paid.

Olav Lüüs
Director of Audit
Audit Department IV