The legality of the activity of the State Chancellery in the liquidation of the Government Department of Communications

Summary of audit results

The audit analysed the activity of the State Chancellery in the liquidation of the Government Department of Communications and the implementation of the proposals made in the decision of a Head of Department of the State Audit Office of 23.03.2001. The goal of the audit was to assess whether the activity of the State Chancellery in the liquidation of a government department in its administrative area was legal and grounded.

The liquidation committee of the Government Department of Communications was established by the decree of the State Secretary of 21.11.2000. According to the decree, the committee was to complete the transfer of state assets in the possession of the Government Department of Communications and its documentation to the State Chancellery by 01.03.2001 at the latest.

In the course of the audit documentation on the liquidation of the Government Department of Communications (incl. minutes of the liquidation committee) was investigated and economic transactions of the Government Department of Communications in the liquidation period were checked. Employees of the State Chancellery and several members of the liquidation committee provided explanations.

Main conclusions:

- The activity of the liquidation committee of the Government Department of Communications established by the State Secretary was largely formal. The committee did not organise an appropriate inventory of the assets, receivables and liabilities of the department that was being liquidated; approved the transactions of the department post factum and partially without any substantial discussion and did not demand the preparation of a liquidation balance sheet of the department.
- During the liquidation period the State Chancellery purchased from the Government Department of Communications a telephone exchange for 127 400 kroons, although the exchange was to be transferred to the State Chancellery without charge. To pay for the purchase of the telephone exchange the State Chancellery used money allocated to it from the state budget for purchasing fixtures, incorrectly indicating purchasing services as the content of the transaction on the order of payment.
- During the liquidation period the Government Department of Communications transferred 127 400 kroons to a business undertaking, whereas the initial documents on which the transfer was based were missing. Earlier senior officials of the Government Department of Communications had belonged to the managing bodies of this business undertaking.
- In the course of the audit it was ascertained that part of the fixed assets of the Government Department of Communications (telephone exchanges) had not been registered in the accounts and recorded as fixed assets.
- Although by now over 10 months have passed from the liquidation deadline of the Government Department of Communications, issues concerning the covering of the difference between the receivables and liabilities of the department have not been resolved.
- The proposals made to the State Secretary in the opinion of a Head of Department of the State Audit Office of 23.03.2001 concerning the liquidation of the Government Department of Communications have not been implemented. The State Secretary did not organise requisite monitoring of the activity of the liquidation committee.

Proposals

The State Audit Office decided to send the opinion of its Head of Department to the Prime Minister, enclosing a memorandum from the Auditor General.

The following proposals were made to the State Secretary:

- To establish a new and capable liquidation committee, which would establish the existence of the assets and prepare a liquidation balance sheet and a liquidation report.

- Upon receipt of the liquidation report it should be submitted to the Government of the Republic, who would adopt a decision concerning the responsibility of the accountable persons and, if necessary, allocate finances to pay for the uncovered liabilities of the Government Department of Communications.
- In the liquidation report appropriate proposals are to be made on further use of the balance of revenues of the Government Department of Communications transferred to the State Chancellery.
- Appropriate accounting for the telephone exchanges not registered in the accounts and identified in the course of this audit is to be ensured.

A proposal was made to the Ministry of Justice to prepare a draft act to supplement the order of liquidation of state institutions administered by government agencies.

It was decided to send the audit materials to an investigative body.

Jüri Kõrge
Head of Department of Audit of Operational Risks