

Economic activities of the National Library of Estonia

Audit report No. OSIII-2-6/06/13 13.03.2006

Summary

The goal of the audit was to evaluate the economic activities of the National Library of Estonia in 2004 and in the period from January to September 2005, focusing on the connection between economic transactions and the main objectives of the library, documenting of economic transactions, highlighting the main observations concerning the legality of transactions, financial management, and the efficiency of the internal audit system.

The results of the audit led the SAO to the conclusion that the economic activities of the National Library are organised at a satisfactory level, but the established internal audit system is partially insufficient or not efficient enough and, therefore, needs improvement to ensure accurate and reliable accounting and preservation of assets, as well as purposeful and legal use of the funds.

The system of income collection and accounting needs refinement. All the options for maximising the income have not been used, because the lease rates of the premises are low and do not correspond to the market prices for the city centre area; in most cases, the lease rates also include the constantly increasing utility services, power supply, surveillance and cleaning charges. The same fact was pointed out by the SAO in the audit completed in 1998.

The expenses were within the budgeted limits and related to the principal activities of the National Library. However, there were some instances of unjustified payment, for example, several large advance salary payments had been made to the employees of the National Library. In the opinion of the SAO, these can be interpreted as interest-free loans granted to the employees, which creates a tax risk and the related additional costs. The SAO has also pointed out the inadmissibility of granting loans to the employees already in the audit of 1998.

In some cases, no written contracts had been concluded for the ordered services. Even though the Law of Obligations Act permits conclusion of oral contracts, the SAO considers the conclusion of written contracts necessary to protect the interests of the National Library as the contracting entity.

The internal audit system for asset accounting included several shortcomings, which is why there were occasions of unregistered fixed assets, while some assets recorded as fixed assets were already out of use and fully depreciated. There is a need to develop and enforce a unified and comprehensive procedure for recording publications, tracking their movement and keeping relevant records in order to ensure the preservation of the publications.

It was also noted that the internal audit system for cash and bank transactions is weak and insufficient, generating a risk of accidental or deliberate errors, which may not ensure preservation of the money.

The accounting of the National Library is at a satisfactory level and complies in principle with the requirements of the Accounting Act, general accounting rules and good accounting practice. However, there were several shortcomings related to the recording of economic transactions in the book of account and correction of registered entries. In some cases, the income was recorded on a wrong account or in the wrong period, and some expenditure of similar type was recorded without a fixed system. The accounting principles used for the payment of holiday pay to the employees were incorrect; there were mistakes in the recording of holiday pay obligations, etc.

No shortcomings were established with respect to the organisation of public procurement.

Considering the findings of the auditors, the SAO recommends the Supervisory Council and Director General of the National Library to take measures for refining the internal audit system and improving the level of accounting. More specific recommendations are provided next to individual thematic block of the audit report.

The response of the Chairman of the Supervisory Council of the National Library to the draft audit report states that the members of the Supervisory Council have reviewed the draft and are

convinced that its contents help to make the economic activities of the National Library more efficient. The Supervisory Council agrees to the proposals and has planned measures for their implementation.

The response of the Director General of the National Library concerning the observations and conclusions in the draft audit report contains further clarifications and an overview of the planned corrective measures.

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