



Annual Report 2002

In 2002 the work of the State Audit Office changed in two basic respects. The new State Audit Office Act specified the objective and content of our audits, as well as the scope of our auditees. Along with our audit reports we now also publish the responses of the auditees on the implementation of our proposals. In the strategy of the State Audit Office we have defined our aims for the next three years. Here the greatest change is in how we pose the questions. We no longer always ask how things are run in the audited institution, but rather look at how the state has solved specific problems facing particular individuals.

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Dear Reader,

In front of you is the Annual Report of the State Audit Office for the year 2002. In the report you will find information on the activity and results of the State Audit Office (SAO) and on the use of the public resources allocated to us. In our opinion an external auditor should not demand that the auditees do things beyond the auditor's own capabilities. The Biblical recommendation to follow what we preach and not what we practise is not suitable for an auditor. Therefore we have tried to make this report as understandable and concrete as possible, so that in addition to the information presented, the readers could find new ideas on how to explain their work to the public.

For the SAO 2002 was a year of significant change – the Parliament adopted the new State Audit Office Act, the Auditor General, who had headed the office for over four years, left office and we modernised our audit strategy.

The new act specified the aim and content of the SAO's audits, defined the concepts of financial and performance audit, expanded the scope of our auditees to include the final users of the EU resources and revoked the special pensions of ordinary officials of the SAO. One of the important items of news is that with each of our audit reports we now publish the answers of the minister and other parties concerning the implementation of the proposals made in the audit. This makes our discussions more readily available to the public and increases the responsibility of ourselves and our auditees. Although the receipt of the answers takes longer than before, they have become much more meaningful.

Despite the changes, the SAO proceeded with the implementation of the strategy of three pillars of auditing, started in the year 2000. In our financial audits we started to cover both the annual accounts and the report on implementation of the state budget of the respective institution. More attention than before was devoted to the identification of damage caused to the state and the control systems necessary to prevent such damage. In the audits of operational risks we achieved a stable level in auditing benefits and subsidies. In the past three years, we have been able to thoroughly analyse the payment of over 30 benefits and subsidies in an amount exceeding 1.5 billion kroons. We obtained new experience in auditing activity licences and public procurements. We specified our performance audit strategy and focused attention on the following five fields extending over the borders of individual ministries: business environment, environmental protection, health care, subsistence and law and order.

For the second year, we have applied the system of work agreements between the Auditor General and the heads of departments. It is a management instrument enabling us to plan time, to set realistic aims and define clearly measurable results. Our experience permits us to recommend this management tool to other state institutions.

We continued to develop our competence in the field of auditing the use of EU funds. Presently, for the third time our employee participates in the nearly six-month-long internship programme at the European Court of Auditors to get acquainted with the methods for auditing the EU resources. We are also involved in the harmonisation of audit methodology in the working group on audit manuals established by the Heads of the Supreme Audit Institutions of the Candidate Countries and the European Court of Auditors.

The activity of the SAO is currently influenced by two strong trends. On the one hand the competence of the internal auditors of the ministries is growing. Thus the SAO must decide to which extent we can rely on their work and which tests must be performed by ourselves. In this context our cooperation with internal auditors acquires vital importance. On the other hand, with performance audits and audits of operational risks, we have delved into topics of public and parliamentary interest where the solutions depend on political choices. At this point it is particularly important for us to be able to understand how the Parliament makes its choices. Thereafter we can demonstrate the consequences of the previous choices and suggest viable solutions.

The SAO as an institution cannot be more prudent than the people who work here. The latest larger staff movements occurred in 1999 and 2000. Now most of the auditors have worked here over three years. This means experience and skills to notice and solve problems. I am convinced that by now the SAO has developed a powerful team and the investments made in human resource development will start earning profit in the next few years.

Although the year was not easy, we were able to pursue the chosen course, and this year we will continue our efforts to ensure adequate informing of the taxpayers on the spending of the kroons they have entrusted to the state.



Jüri Kõrge
Acting Auditor General



1. Principal activity of the State Audit Office

The State Audit Office (SAO) is the state's auditor which audits the use of resources of the public sector. Our primary target groups are the Parliament and the public.

We report to the Parliament on how the government has obeyed the will of the people's representatives or the laws in spending public money. The SAO is interested not only in formal adherence to the laws – we also look into whether the laws and the activities of the government are adequate to ensure purposeful and reasonable use of the money and such reporting that would adequately reflect the spending. Thus our aim is to make proposals to the Parliament on the improvement of governance (i.e. primarily the use of the taxpayers' money).

Why does the SAO work for the public? The reason is obvious – as the state's money is always the taxpayers' money, the results of the audits carried out by the SAO must always be brought before the public.

The tasks of the SAO are specifically laid out in the Constitution and the State Audit Office Act. The SAO is not competent to punish anybody and has no executive powers; rather, it helps the decision-makers by putting forward its suggestions.

The SAO is an independent institution. Of course, independence is not equal to the right to make arbitrary decisions. When selecting the fields for auditing, the SAO is guided by the needs of its principal customer – the Parliament – and the principle that audits should cover these problem areas where the SAO can most benefit society. In deciding on our audits we also take account of the requirement that the results should be generalisable to the public sector as a whole.

The audit topics are established as a result of monitoring. This involves systematic data collection on the fields in the scope of interest of the SAO in order to obtain a picture of the problems and the steps taken by the state to solve them. Alongside looking for new audit topics, we monitor the course of events with respect to topics already audited. When we notice that the problems have not been solved, we include a follow-up audit in our plans.

On the basis of audits conducted during the year the SAO prepares a summary report for the Parliament – an overview on the use and preservation of state assets in the previous financial year.

Although the main attention of the SAO is centred on audits, i.e. evaluation of the status of things, we also have a possibility and obligation to take part in shaping the situation. For this purpose we comment on draft legislation, participate in working groups and advise officials with respect to management, accounting, control systems and audit design. In matters concerning his/her tasks, the Auditor General has the right to speak at the government's meetings, and he/she also answers the questions asked by members of the Parliament.

1.1. Financial audit

We conduct financial audits to check whether financial statements of institutions truly and fairly reflect their economic situation.

We also evaluate the regularity of transactions, financial management and internal control of institutions.

The financial audit is primarily based on the State Budget Act, the Accounting Act, regulations of the Minister of Finance and internationally accepted principles of financial accounting and reporting.

The central aim of the financial audit as deriving from the State Budget Act is to give **an opinion on the report on the implementation of the state budget** annually submitted by the government to the Parliament. On the basis of its financial audits the SAO annually informs the Parliament and the public whether and to which extent this report contains reliable information that would enable the Parliament to assess whether the government has spent the money in accordance with the Parliament's will (incl. restrictions set by the State Budget Act) and to make grounded and realistic decisions when preparing the next budget.

When preparing its opinion on the report on the implementation of the state budget, the SAO is interested in:

- statements of **ministries** and other central institutions in their areas of government;
- statements of **constitutional institutions**;
- **other statements** included in the report on the implementation of the state budget (e.g. health insurance and pensions).

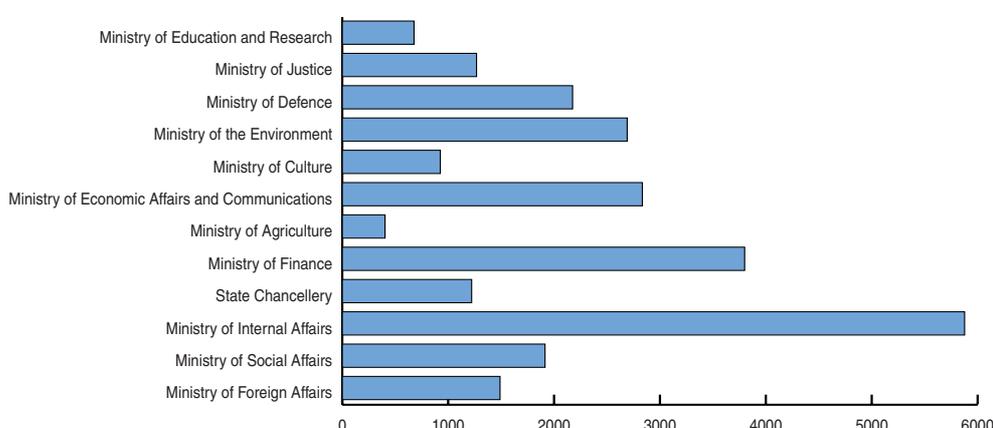
In our audits of institutions in 2002 we gave opinions on the correctness of their annual accounts and reports on the implementation of the state budget; without giving a general assessment we presented the more significant observations on the internal control system, financial management and regularity of transactions. We are planning to extend the scope of our financial audits in the coming years.

Effectiveness of activity	Scope of performance audit				
Economy and efficiency of activity					
What is the quality of reporting on results?					
What is the level of internal control and financial management?					
Is the information on expenditures correct?					
Have the transactions been legal?					
Have the transactions, assets and liabilities been correctly reflected in the accounts?					
	2000	2004	2005	2006	

Year 2002 from the perspective of the financial audit

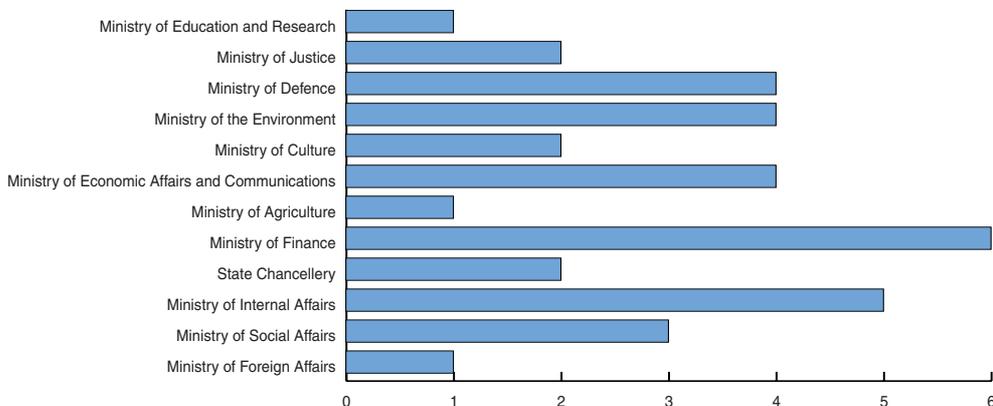
In 2002, we completed 35 financial audits (average duration of an audit 722 hours) covering 74% of the total volume of the state's balance sheet and 55% of budgetary expenditures (the SAO investigated the purposefulness of the use of these resources selectively using also the audit of operational risks).

Distribution of audit hours across areas of government of ministries in 2002



Traditionally the greatest attention was devoted to the area of government of the Ministry of Finance (6 audits) because the State Treasury in charge of cash flow is a department of this ministry and the Tax Board and the Customs Board which collect tax revenue are subordinated to it. Great attention was also paid to the Ministry of Internal Affairs and particularly the Police Board.

Distribution of audits across areas of government of ministries in 2002



The SAO's opinion on the report on the implementation of the state budget for 2001 was discussed in the Parliament along with the report itself. As the structure of the report on the implementation of the state budget was not

changed in 2002, we had to repeat our previous proposals based on the internationally recognised principles of government reporting, pointing out that in comparison with the previous year the information value of the report and the quality of the information presented had improved. Our opinion received positive feedback from the Parliament.

The opinions given to annual accounts as a result of financial audits (31 opinions) were distributed as follows:

- “true and fair in all material respects and corresponding to the regulation of the Minister of Finance” – 3 reports (the Ministries of Justice, Transportation and Communications and the State Forest Management Centre);
- “true and fair in all material respects and corresponding to the regulation of the Minister of Finance, excluding the possible influence of circumstances recorded in the qualifications” – 26 reports;
- “not corresponding to the regulation of the Minister of Finance” – 1 report (the Ministry of Finance)¹;
- disclaimer of opinion because of material uncertainty – 1 report (the Ministry of Defence)².

The opinions on the statements included in the report on the implementation of the state budget were with qualifications, i.e. true and fair in all material respects, excluding the possible influence of circumstances recorded in the qualifications.

The INTOSAI³ audit standards on which the SAO bases its work describe the types of audit opinions as follows: the content of the opinion will need to indicate unambiguously whether it is qualified or unqualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion. In drawing the conclusions and giving the opinion the keyword is materiality – the concept the assessment of which in the audited entity along with the collection of audit evidence determines the type of opinion given. In short, the materiality threshold is the maximum permissible number of errors which is still acceptable, i.e. does not influence the decisions of the user of the annual accounts in question.

¹ In our assessment the annual report of the Ministry of Finance did not correspond to the respective legislative acts because it did not include the resources administrated by one of the departments of the ministry (the State Treasury) the relative weight of which was material. The Executive Committee of Reorganising the Public Sector Accounting Principles is currently working on a legal solution to the problem.

² We did not give our opinion on the report of the Ministry of Defence because the non-current assets which made up the main part of the ministry's assets had not been inventoried and there were other shortcomings in the organisation of accounting. The Ministry of Defence is aware of the problem and has agreed to start remedying the situation.

³ International Organisation of Supreme Audit Institutions working under aegis of the UN.

If the auditor finds that the annual accounts correspond to the generally accepted accounting principles and relevant laws and regulations in all material respects, and the audited entity has presented all material circumstances concerning the annual accounts, the auditor is entitled to issue **an unqualified opinion**.

A qualified opinion may be given when the auditor has detected shortcomings in the annual accounts or the audit procedures have not been exhaustive, but the shortcomings are not sufficiently material to prompt an adverse opinion or disclaimer of opinion.

If the annual accounts contain shortcomings which do not permit the financial condition of the audited entity to be correctly reflected in all material respects, the auditor must give **an adverse opinion**.

Disclaimer of opinion means that material uncertainty with respect to some of the audited fields exists and that a qualified opinion would not be adequate, whereas there is no sufficient information to give an adverse opinion.

Our operating principles and audits of major importance

Audit pyramid – support from internal auditors

In the broadest outline the so-called data-based and system-based approaches can be distinguished in the audits conducted by a supreme audit institution. In the first case the supreme audit institution conducts the audit itself, checking the correctness and reasonableness of the transactions of the auditee. In the second case assurance is mainly derived from the existing control systems (internal control and internal audit) and their testing. The accession to the EU sets clear requirements to the candidate states with respect to financial control which presume movement towards the system-based audit approach. In Europe the greatest progress in this area has been made by the Netherlands Court of Audit, a cooperation partner of the SAO. In short, the model can be described as follows.

In accordance with the Accounting Act applied in the Netherlands, not only the Court of Audit, but also the internal auditors of the ministries are responsible for auditing financial statements. To attain greater economy and efficiency, the opinion of the Court of Audit on financial statements is, as far as it is possible, based on the work of internal auditors.

Internal auditors conduct audits on uniform bases described in the respective manual and their activity is coordinated by the Department of Audit of Government Agencies of the Ministry of Finance.

The system-based checking which proceeds from the work of internal auditors should be favoured, as it requires fewer resources and makes it possible to dwell on the in-depth knowledge of the organisation's own auditors. The possibility to apply such an approach is considered to be a hallmark of good financial management.

How realistic would it be to use the Netherlands approach in Estonia?

We can speak of the system-based angle only when workable internal control systems are in place. At present, the Estonian public sector does not quite meet this condition, but there are signs of obvious development – the coordination of internal audits has been taken over by the Financial Control Department of the Ministry of Finance, in auditing individual areas increasing support can be derived from the work of internal auditors, the number of unqualified opinions has grown, in 2001 the internal auditors of three ministries cooperated with the SAO in financial auditing and this tendency is expected to develop.

Although the SAO is not yet able to base its auditing of annual accounts on the work of internal auditors because, as a rule, they have not audited financial statements and their work is not based on a systematic and comprehensive risk assessment, the above developments indicate that the respective trend is continuing.

The audit pyramid in the organisation of public sector auditing, where the cooperation enables every higher level auditor to support his/her work on the results of the internal auditors of the auditee, is particularly vital in the case of the so-called agency-type institutions with many substructures located relatively far away from one another. In 2002, the Police Board was one of the agency-type institutions audited by us. The board comprises 17 police prefectures and 4 other institutions. The focus of the audit was not on regular annual accounts, but on the organisation of accounting and therefore we did not provide an overall assessment of the annual accounts, as the limited resources did not permit us to audit the whole institution (we concentrated on the central organisation and 4 prefectures).

Cooperation with other units of the audit pyramid was manifest in the following:

- In autumn 2002, the Financial Control Department of the Ministry of Finance conducted audits of the organisation of accounting in four other police prefectures in the course of which the implementation of the SAO's recommendations was considered.
- As a result of the SAO's report the Internal Audit Department of the Ministry of Internal Affairs included in its work plan an audit of the Eastern Viru County Police Prefecture (several serious problems had been detected there).
- In 2002, the Financial Control Agency of the Police Board checked the Tallinn Police Prefecture where the SAO had found serious problems and studied the implementation of the SAO's recommendations in the course of audits conducted in other prefectures.

- In planning the audit of organisation of accounting in 2002 the prefectures not investigated until then were divided between the SAO, the financial control agency of the Police Board and the Internal Audit Department of the Ministry of Internal Affairs and in planning the control procedures the observations of all other auditors were taken into account.

Although the above cooperation is far from perfect, it creates premises for a transfer to system-based auditing and auditing of consolidated annual accounts of the Police Board. It also makes it possible to improve the performance of the auditees.

Cooperation with other supreme audit institutions

Audit of the Baltic Defence College

The SAO is responsible for checking the regularity and effectiveness of the use of the resources of the Estonian state budget. Why have we audited the Baltic Defence College, which is a cooperation project of the three Baltic States and nine supporting states, mainly financed by the supporting states?

In 2000, the financial activities of the college were audited by the State Audit Office of Sweden and the SAO acted as an observer. This project initiated our long-term cooperation with the State Audit Office of Sweden. In 2000, the Baltic Defence College opted for the SAO as its auditor and since 2001, we have annually audited the financial activities of the college.

As the Baltic Defence College is an international cooperation project, we have had to base our assessment on the fact that in addition to Estonian legislation, international legislative acts are also applicable to the college. We have highlighted various problems primarily conditioned by the specific character of the Baltic Defence College as an international cooperation project. In delineating and solving these problems we have, in addition to the college itself, cooperated with the Ministries of Defence, Foreign Affairs and Finance. This cooperation has helped us to clarify issues connected with the taxation of fringe benefits and visiting lecturers. As a result of our observations the general level of accounting has improved.

As from 2004, the financing of the college will fully pass to the Baltic States, including Estonia, and our audits indicate whether the accounting of the budgetary resources is adequate and whether the preservation of assets is guaranteed. In other words, it shows whether the state is aware of the responsibilities accompanying the financing obligation of the college.

Audit of the State Treasury

The Department of State Treasury of the Ministry of Finance plays a key role in the administration of the resources of the state budget. The State Treasury is a bank for the state agencies which makes payments and receives revenues. The State Treasury is also responsible for making investment transactions to preserve the value of money. As we are looking at the resources of the whole nation and hundreds of thousands of transactions, it is particularly vital that the control system of the State Treasury is efficient and adequate.

To date, the SAO has assessed the report on the existence and allocation of the resources administrated by the State Treasury. In fact this means an assessment of the existence and accurate recording of the assets and liabilities reflected in the balance sheet at the end of the year. In 2002, we started an audit which concentrates on the activities of the State Treasury in administrating the cash flow and the respective control systems.

To conduct this innovative audit we involved a foreign expert from the State Audit Office of Denmark. The experience of our cooperation partners was remarkably helpful in planning the audit, execution of the audit processes and formulation of the conclusions. Aided by the expert, we first applied the IDEA software meant for the analysis of large databases and compilation of statistical samples. Since the audit of the State Treasury, we have been using the system for other financial audits.

As a result of the audit the SAO made several proposals concerning the development of control systems to the Ministry of Finance. The implementation of the proposals will enhance the efficiency of the State Treasury's control over the regularity of budgetary expenditures and helps to improve the quality of the report on the implementation of the state budget submitted to the Government of the Republic.

Media reflection of our financial audits

The dailies published the results of the report on pension insurance resources and the results of the audits of the Statistical Office, Rescue Board, Police Board, Tax Board, Prosecutor's Office and the Ministry of Culture. Most attention was attracted by the SAO's opinion on the report on health insurance money and the resulting criticism directed at the Health Insurance Fund (the issue was also mentioned on TV news). A news item was published about the annual summary report of the SAO, i.e. the overview on the use and preservation of state assets.

Alongside news about audits the daily newspapers reflected the positions of our auditors on other issues. In an article in the *Postimees*, Audit Manager of the Financial Audit Department Urmas Peterson discussed the incident in the Cultural Endowment. Chief Auditor of the Financial Audit Department Kaie Karniol commented on the plan to consolidate the accounting of subordinate agencies of ministries and ministerial expenditures on car leasing. The views of Audit Manager Alo Lääne published in the annual report for 2001 on additional remuneration paid to public servants were published as a separate news item and evoked commentary.

Our audits were covered by the online publications of the *Eesti Päevaleht*, *Postimees* and *Äripäev* and also the news of the BNS and ETA agencies.

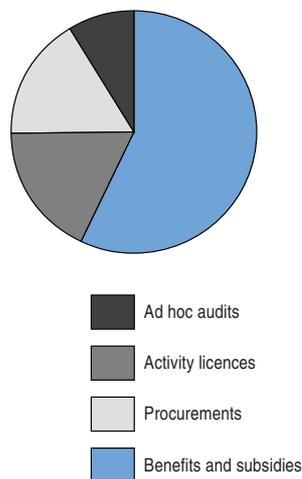
1.2. Audit of operational risks

The audit of operational risks is used to assess the operation of the control systems in place to minimise the risks endangering purposeful and legal use of money.

The investigation of the operation of control systems naturally involves the detection of specific cases of bad practice. However, it would be short-sighted to limit ourselves to describing what has happened and it is necessary to establish what has been done in order to minimise the likelihood of squandering, fraud and negligence.

On the basis of its experience and information on the more risk-prone activities, the SAO has been interested in:

- state benefits and subsidies⁴;
- activity licences⁵;
- public procurements⁶.



57.1% of audit time was spent on auditing benefits and subsidies, 16.4% on procurements, 17.7% on activity licences and 8.8% on ad hoc audits.

Main questions of the audit of benefits and subsidies:

- Does the regulation define unambiguously with what purpose, on what conditions and who is subsidised?
- How is the right of the applicant to receive a benefit or subsidy checked?
- What action is taken if the recipient of a benefit or subsidy or an official has violated the conditions?
- Is information on the conditions of payment of a benefit or subsidy and its recipients available to the public?
- Does the internal control system subsequently permit the regularity and adequacy of the payer's actions to be assessed?

Main questions of the audit of activity licences:

- Does the regulation define the purpose(s) and cases of application of the activity licence?
- Are the requirements for the applicants adequate to fulfil the purpose of application of the licence?

⁴ Benefits and subsidies (excl. pensions and health insurance) make up 15% of the state budget or about 5 bil. kroons.

⁵ There is no exhaustive picture of activity licences, largely because in different legislative acts different terms are used for such licences and the term "activity licence" itself has different meanings. According to the calculations of the Ministry of Economic Affairs and Communications in 2002 the state issued over 100 types of activity licences, whereas the Ministry of Economic Affairs and the institutions in its area of government were ahead of other institutions both by types and absolute numbers of licences issued.

⁶ In 2002, 4349 public procurements were held of which 207 procurements were disputed. The value of the procurement contracts concluded exceeded 7 bil. kroons.

- Do officials treat the applicants and licence holders equally?
- Is there adequate supervision over the licence holders' activity, are sanctions applied, if necessary?
- What is the probability of unlicensed operation, how have the respective risks been managed?

Main questions of **the audit of public procurements**:

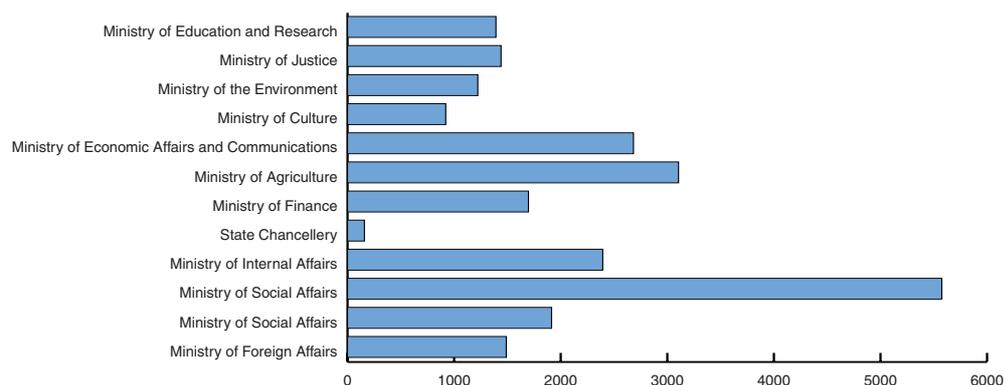
- Have procurements been held in all the required cases, do control mechanisms ensure the detection of cases where procurements have been divided in parts?
- Is holding uneconomical and biased procurements excluded?
- Is all the necessary information on the procurement available to all the applicants simultaneously and sufficiently in advance of the deadline for the submission of the tenders; is the information given about the procurement sufficient to ensure public control over the transaction?
- Is it ensured that the procurement is carried out on conditions formed as a result of competition?
- What action is taken if a procurement is not held or is held in contravention with the requirements?

We also conduct **ad hoc audits** to study various problems possibly soon after their emergence. The aim of such audits is to give a competent assessment of the events and publicise the situation in order to prevent the repetition of similar cases in the future.

Year 2002 from the perspective of the audit of operational risks

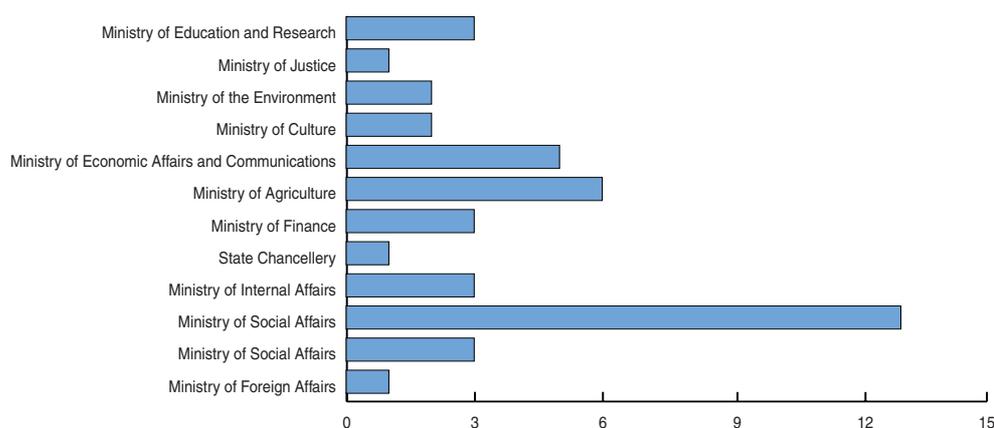
In 2002, we completed 21 audits and an average audit took 703 hours.

Distribution of audit hours across areas of government of ministries in 2002



The greatest number of audits (13) was carried out in the area of government of the Ministry of Social Affairs, followed by the Ministry of Agriculture (6), whereas most of our attention was dedicated to the benefits paid to natural persons.

Distribution of audits across areas of government of ministries in 2002



We are following the implementation of the proposals made in the course of our previous audits with two follow-up audits started at the end of the year (money payable from the state budget to Elektriraudtee AS and for training costs of the unemployed).

The SAO has established a current database of benefits, subsidies and activity licences, including risk assessments, and accumulated the regulations on the special conditions of public procurements, as well as the analyses of public procurements across ministries and product groups.

Principles of our work and more important audits

Benefits and subsidies as a risk-prone field

For the SAO the concept of benefits and subsidies encompasses more than the amounts allocated in accordance with the respective items of expenditure in the state budget. In our view benefits and subsidies mean money allocated from the state budget to natural or legal persons for which the state does not receive any specific goods or services and the use of which may entail certain restrictions and the obligation to report on spending the money and its results. In the administration of the considerable amounts paid out as benefits and subsidies even the smallest systematic errors lead to unnecessary spending of very large sums of money. Moreover, in such cases those needing assistance do not receive adequate help despite the large expenditures incurred. Therefore auditing benefits and subsidies has been a priority of the SAO since the implementation of the audit of operational risks as one type of audit in 2000 and the field will continue to be among our priorities in the next few years.

Objectives and target groups of benefits and subsidies

In auditing benefits and subsidies the SAO first looks at how and where the reason for a benefit or subsidy and its recipient are determined. Although it might seem a self-evident premise for purposeful payment of benefits and subsidies, we have frequently found that the relevant objectives and target groups have not been defined in legislation or have been worded in a vague manner. The more unambiguously and exhaustively the objective and target group of a benefit or subsidy are defined, the easier it is to detect cases of purposeless use of money.

Data of the interested party

The more the payment of a benefit or subsidy and its size depend on the data submitted by the interested party, the greater the risks. To ensure that the payment of a benefit or subsidy does not only depend on the person's wish to obtain (possibly more) money, the officials who allocate the money must check facts and documents and request data from third parties. In this country where administration is developing towards openness, it is becoming increasingly easier to use computers to obtain data from databases. An official must not be a mechanical collector of the documents defined in legislation, but must be able to evaluate whether the documents culled suffice to grant the payment of the benefit or subsidy. If not, he or she must be able to obtain the necessary information.

Uniform administrative practice

This is a topic we deal with in nearly all the audits of operational risks and it mostly surfaces in connection with equal treatment of consumers. So as to ensure that a person from Viljandi would not have a random and unreasonable advantage over a person from Jõgeva, we must be convinced that the officials have precise instructions for the allocation of money and that these instructions are obeyed. The possibility of a person to receive a benefit or subsidy must not depend on the administrative region where he or she lives and on how the officials of the specific region interpret the law. In questionable cases every state agency must be able to make an unambiguous decision on the interpretation of the respective legislative acts, ensuring that every official applying the given legislative acts is informed of this interpretation regardless of his or her position.

Danger of multiplication of benefits and subsidies

With respect to benefits and subsidies the public has been dissatisfied over the emergence of a social stratum comprising people who attempt to make a living out of "accumulating" different benefits or subsidies and who direct their efforts at seeking assistance instead of trying to make ends meet by working. In numerous cases the SAO has noticed the tendency of payment of new benefits or subsidies to people who already receive some other support. When such occasions are viewed in isolation, it seems that there is nothing tragic in it. However, adding up the single cases, it is possible to imagine what the failure to pay attention to the possible accumulation of different benefits and subsidies means for the state budget or the taxpayer and finally also for the recipient. Thus we certainly have cause to worry.

Subsidy for the maintenance of semi-natural associations was named a nature protection subsidy in the law and as this concept's scope was not specified it could be interpreted too widely.

Part of the applicants of subsistence benefits were able to obtain the benefit very easily by merely claiming that they had no job or income to provide them with subsistence. A lot of the applications of grain subsidy were satisfied without ascertaining whether the growth areas are of sizes alleged in the application or exist at all.

In one region the payment of caregiver's allowances was continued to those disabled persons who had been granted it before the entry into force of the new law, in other region the new law was applied. Some people whose health had been damaged at work obtained health resort vouchers in successive years, others had to wait without any criteria.

A part of border guard officials were paid residence allowances, although their employer was paying the rent for their residence. Part of the recipients of caregiver's allowances simultaneously received unemployment benefits.

Principal activity of the State Audit Office

The instruction of use of white cane for the blind was to be paid whether it was necessary or not. The means of assistance were available after the lapse of this formal term and not when their lifetime was actually over.

The inadequacy in the regulation caused the fact that many recipients of caregiver's allowances did not inform the paying authority of circumstances influencing the receipt of the allowances and the officials did not check it.

Unnecessary expenditures

Putting it more bluntly, we may speak also of pointless expenditures. This means that although a benefit or subsidy itself may be absolutely necessary, in the course of its payment ungrounded expenditures are incurred and money gets wasted unnecessarily.

Sanctions

There are two aspects to be kept in mind in connection with sanctions – whether sanctions exist and whether they are applied. Audits have shown that it is particularly important to analyse whether adequate sanctions are in place. In allocating money it must not be hoped that matters regulate themselves on their own.

Publicising

Publicising is closely linked with sanctions. If all the interested parties can easily obtain all the conditions for the receipt of benefits or subsidies and subsequently everybody is able to check the list of recipients and the sums distributed, publicising has fulfilled its purpose. Fraud, either by those wishing to receive money or by officials, is afraid of light. But publicising has another facet to it – the protection of the individual and his or her personal data.

According to the Personal Data Protection Act personal data may, without the person's consent, be processed only if the purpose of processing is performance of obligations prescribed by law or, in certain cases, protection of the person's life, health or freedom or performance of tasks in the public interest.

This regulation gives ample room for interpretation and enables the payer to take into consideration the interests of the public and the individual subject.

It must be pointed out that to date no practice of reliable use of data has emerged. On the other hand, there are no blatant examples of abuse of personal data. The SAO is concerned in the cases where publicising is avoided by referral to legislative provisions, thereby attempting to create the so-called control-free areas.

In the overview on the use and preservation of state assets in 2002 we made a suggestion to the government to establish a good practice of payment of benefits and subsidies, defining the minimum requirements for their administration. Before auditing operational risks the SAO maps the risks and tries to develop an integral view of the circumstances that might cause errors in the payment of specific benefits or subsidies, and similarly each minister should assess the risks connected with such payments made in the area of government of his/her ministry, the materiality of these risks and the probability of their realisation.

Government programmes – risks and results

As the SAO understands benefits and subsidies as money allocated from the state budget to natural or legal persons for which the state does not receive any specific goods or services, we regard the resources allocated in the framework of government programmes as a subtype of benefits and subsidies. Therefore, some of the questions asked in our audits of programmes have been identical to those asked in other benefit and subsidy audits. We investigate whether a programme has a clear objective, whether the money is used in conformity with this objective and whether there is a clear-cut target group. In order to use money allocated for health care programmes efficiently and purposefully, it is expedient to apply project-based programme management. Therefore we investigate whether this is actually applied, whether the persons who submit projects are treated equally and whether the information on project conditions is public.

The SAO is also interested in the results achieved by the programmes. In this respect we see problems in the absence of precise plans for preventive activities and optimum management methods. Thus there is a danger that the money for government programmes is spent on supporting less significant activities and large amounts are spent on covering the maintenance and other purposeless costs of the programme administrators.

In 2002, the SAO audited two programmes:

- Alcoholism and drug addiction prevention programme. The programme did not have clear aims or expected results. There were no criteria for the selection of projects and revenue cost analyses, money was used purposelessly and the projects, amounts and results were not publicised.
- HIV/AIDS prevention programme. Primarily problems were caused by the inoperative management scheme and poor planning of activities.

Why is it necessary to have a system of activity licences?

In the whole world activity licences are considered to be a field heavily endangered by corruption. The reason for it is simple – we are looking at operating rights granted to entrepreneurs by the state, whereas it is the officials who largely determine how, to whom and how much is allocated.

The SAO has audited the granting of activity licences since 2001. Our audits have shown that corruption hazards exist, but have not materialised. Partially it may be conditioned by the fact that Estonia lacks a uniform and clear policy defining the cases when activity licences should be applied. Therefore licences are used in many fields where they are actually not necessary. Whether activity licences should be employed in a certain field or not has emerged as one of the main questions asked in the activity licence audits conducted by the SAO.

On the basis of its audit practice and cooperation with international consultants and officials of the Ministry of Economic Affairs and Communications and the

Ministry of Justice, the SAO has concluded that the application of activity licences is justified only when used for managing significant risks for the state, the population or the environment. In the opposite case activity licences lead to a needless increase in bureaucracy and restriction of the market.

The activity licences audited by us in 2002:

- retail and wholesale of medicines;
- import and sale of fuel;
- import of food and raw food materials;
- building permits and
- licences issued by the Maritime Administration.

We are satisfied with the timing of our audits of medicines and fuel licences because we were able to submit our proposals when draft legislation for the respective fields was processed.

Public procurements

Similarly to various subsidies, where it is vital to follow the principle of equal treatment, public procurements frequently attract public attention in connection with the consideration given to the interests of different parties. This is also one of the interests of the SAO. The tendering procedure used for public procurements contains aspects of which the public is not informed and where the tenderers cannot intervene.

For instance, the tenderers do not know whether everybody has received identical tender documents to be used as a basis for their tenders. One way for the SAO to check it would be to request the tender documents from all tenderers. However, this does not appear to be particularly rational because all tenderers may not have preserved the documents. Certainty in this respect it would be achieved if the tender documents were published on the web page of the Public Procurements Register.

The present practice does not enable the tenderers whose tenders are rejected to get information on the procurement contract. Thus the rejected tenderers do not know whether the contract was concluded on the conditions set in the tender documents and promised in the winning tender.

The tenderers cannot dispute the selection of the type of procurement procedure. Thus the buyer can use the tendering procedure oriented to one supplier referring to the absence of other suitable tenderers in the market. In fact this may be conditioned by the absence of sufficient information on the operators present in the market or the preference of one tenderer to others.

In 2002, we audited:

- public procurements using the resources allocated from the state budget for the maintenance of roads,
- organisation of public procurements in the Ministry of Internal Affairs and institutions in its area of government. Here we detected a dangerous trend, namely the strong prevalence of procurements without prior publication of a tender notice. Yet the law permits procurements without prior publication of a tender notice only in the case of unforeseeable events (due to urgent national defence reasons, prevention of damage to human life or health, etc.).

Media coverage of audits of operational risks

The dailies published news on the following audit topics: benefits to disabled people, grain subsidies, subsistence benefits, single parent's child allowances, childcare allowances, food import permits, compensation for remuneration, compensation for damage caused to health, procurements of the Ministry of Internal Affairs, dairy cow subsidies, agricultural land liming subsidies. The following is a list of audits that attracted particularly great media attention: liquidation of the Government Department of Communications, issuance of regional loans, audit of subsidies for the maintenance of semi-natural associations (interest in it was evoked by the unusual dialogue between the Auditor General and the minister) and the two programme audits – the audit of the AIDS prevention programme and the audit of the alcoholism and drug addiction prevention programme. The results of the latter were mentioned in an editorial of the *Postimees* as obligatory reading for the respective officials.

As many benefits and subsidies audited by the SAO concern country life, some audit results were also published in the *Maaleht*.

The audits most covered in the printed media were also taken up by TV journalists: the news of different channels covered the liquidation of the Government Department of Communications and the audits of the alcoholism and drug addiction prevention programme and the AIDS prevention programme. The *Maatund* country life broadcast aired by Radio Kuku contained extensive coverage of the subsidies for liming agricultural land.

In addition the results of the audits of operational risks were published in online media, including the web versions of the two national dailies, as well as the *Äripäev* and *Maaleht*. The news agencies and the *Delfi* and *Everyday* Internet portals were also interested in the above topics.

More interesting examples of coverage include the inclusion of a press release on the subsistence benefits in the programme of a play staged in the Draamateater Theatre and reference to it in the theatre's own press release. A news item on the dairy cow subsidy was used in the *Teletaip* TV quiz show.

1.3. Performance audit

The performance audit is used to assess the activity of the public sector in the solution of daily problems, the problems are analysed in depth and solutions are suggested. Another aim of the performance audit is to identify good administrative practice and facilitate its spread.

The effect of the performance audit in the public sector can be compared to that of the market mechanisms. In the private sector self-regulation ensures profits to successful businesses that can stay in the market and the unsuccessful operators must close down; in the public sector there is no such mechanism. The role of the performance audit is to assess the success of the public sector.

The aim is to look further than a mere assessment and reach wider generalisations: “lessons” must be identified, preferable courses of action considering the available resources are to be chosen, evaluation criteria and expectations with respect to similar areas are to be developed for future use, also attention to problematic philosophies is to be drawn.

The performance audit is focused on three aspects – economy, efficiency and effectiveness.

Economy (minimisation of expenditures on the achievement of the objectives) is typically not separately assessed by the SAO; however, evaluations concerning economy can be given in the investigation of efficiency.

When assessing **efficiency**, the SAO analyses the processes administrated by the public sector, studying if and how, given the available resources, it would be possible to improve the results of activities or to achieve the same objectives at lower costs.

In investigating **effectiveness** the SAO analyses:

- the achievement of aims declared in the respective legislative acts and planning documents;
- the impact actually achieved as compared with the desired impact (if information on the impact is lacking or insufficient, the necessary data are sought independently).

The SAO is also interested in **the premises of efficiency and effectiveness**. This presumes an analysis of whether the public sector is planning and implementing its activities proceeding from good management practice and whether it takes account of the needs of society. Another aspect that may be investigated is whether the government is using a certain purposeful activity for the achievement of specific social aims, how such an activity has developed and if and whether it interfaces with other activities of the government, also whether it is controlled in a sufficient extent.

Year 2002 from the perspective of the performance audit

In 2002, we completed 8 performance audits:

- Activity of ministries in the resocialisation of persons held in custody, prisoners and those serving a conditional sentence;
- Special treatment of minors in criminal proceedings;
- Activity of the state in the privatisation of AS Edelaraudtee and ordering the public passenger transport service;
- Organisation of practical training in institutions of vocational education;
- Ensuring compulsory school attendance;
- Utilisation of payroll funds allocated for the payment of performance wages;
- Population data in state registers;
- Follow-up audit: Personnel management in the Defence Forces on the example of personnel planning in the General Staff of the Defence Forces.

On average an audit took 1488 hours which is much longer than the audits of operational risks and financial audits. This is characteristic of performance auditing all over the world and the figures of the SAO in this respect are not going to change, as the aim set by us is not to “cut it short,” but to benefit society through thorough analyses of complex social problems.

Reorganisations in the work of the Performance Audit Department

As of 1 July 2002, the Performance Audit Department started work with a new structure. Differently from the other audit departments, the Performance Audit Department no longer has positions of audit managers. Audits are led by project managers separately appointed for each single audit project. The former audit manager continued as senior auditors in the new structure.

One of the positions created was that of the deputy chief auditor who coordinates audits in two strategic fields, is responsible for the development of the principal process and methodology of the department and advises the Chief Auditor in administrative matters. Siiri Martverk who had worked as an audit manager in the same department was appointed Deputy Chief Auditor.

In the past year, we carried out a thorough analysis of our performance auditing strategy. We found that the development of the state and the SAO requires a transition from the previous ministry-based approach to a field-based approach. As dozens of performance auditors are not able to offer top-level competence in all fields, we have made a strategic choice and selected five principal fields:

- business environment;
- environmental protection;
- health care;
- independent subsistence;
- security, law and order.

In 2002, we devoted much time to monitoring, so as to be able to carry out competent audits in these fields. The audit teams established to administrate the fields spent 3 months perusing the legislative acts and planning documentation concerning the fields, interviewed officials and representatives of interest groups, studied specialist literature, systematised and analysed the resulting data. On the basis of this work a vision for auditing each field was developed. The results of the introductory monitoring include:

- monitoring and auditing focus of the field for the next few years;
- description of the field (database of policy documents, management structures, money, statistics, interest groups, etc.);
- first larger amount of entries in the database of problems and commitments (a basis to be supplemented in the course of further monitoring was created);
- audit programme, i.e. a vision of the topics to be audited in the next two years;
- audit descriptions for the audits of 2003;
- pre-study plans for the first audit of the field.

⁷ By a medical treatment service the SAO understands the activity of medical personnel for diagnosis and treatment of illnesses in order to alleviate patients' complaints, prevent their condition from worsening or aggravation of illness and to restore health. Thus medical treatment services have a narrower meaning than medical services, as the latter also encompass the prevention of diseases and help in case of intoxication and injuries.

Focuses of fields for monitoring and auditing in the next few years

Below the aims of our performance auditing are listed as grouped under broader topics. The specific projects are selected on the basis of the audit selection criteria used in the SAO (interest of the Parliament, the public and the auditee in the topic, number of citizens directly influenced by the topic, etc.).

Business environment

The aim is to improve the results of the state's activities in the development of entrepreneurship which in the longer perspective should help to use governmental support and restrictions to concentrate capital and technology in order to increase Estonia's net foreign trade. We also pay attention to the general favourable conditions in the business environment created by the state, incl. various activities for the development of infrastructure.

Environmental protection

The aim is to help to minimise health and environmental hazards caused by dangerous waste generated by human activity. Both the prevention of generation of hazardous waste and its treatment, i.e. collection, transportation, recycling and disposal, are considered.

Health care

The aspects analysed include the problems of availability and use of medical treatment services⁷ by insured patients primarily at three levels: family physicians, medical specialists and hospital. The analysis also partially covers ambulance services, medicines and benefits for temporary incapacity for work from the point of view of the above three levels.

Subsistence

The central issue is whether the state has created adequate preconditions to ensure the satisfaction of children's basic needs and development of their potential until their entry into the labour market. The following topics are analysed: guaranteeing primary and basic education, availability of developing activities in leisure time, existence of conditions necessary for the choice and acquisition of a vocation. Particular attention is paid to the risk groups, i.e. the children of parents who belong to social risk groups and children with behavioural and health problems.

Law and order

The focus is on the activities of the state the immediate objective of which is crime control, incl. criminal prevention in the sense of measures hindering the commission of crimes, processing crimes before court and in court and execution of criminal punishments.

Principles of our work

Performance audit approach

The SAO started to conduct performance audits in a systematic manner in 2000. As the first strategic angle, attention was paid to the management of ministries and government agencies. Using criteria derived from appropriate theory and good management practice, the management of institutions was evaluated in different categories. Several separate management audit products were developed, e.g. financial management audit, project management audit, etc. The aim of this approach was to facilitate the development of public administration in Estonia by disseminating modern management theory and good practice established by the audit.

In 2002, a significant change occurred in our performance audit strategy, as we replaced our so-called product-based approach with the problem-based approach. Earlier we based our analysis on the specific state agency and its activities, but now the audits are based on the problems that have become manifest in everyday life. We always regard the activity of the state as the solution of some problems appearing at the level of an individual. For instance, we have ceased to ask how the Health Insurance Fund is managed and instead look at the availability of primary level health care services and measures to be applied by the state to improve its availability. The problem-based approach has several advantages. First, it enables us to analyse the activity of state agencies proceeding from its content, linking it with real needs and possibilities. Earlier the product-based audits deriving from unified criteria were frequently criticised for excessive abstractness, over-simplification and neglect of the specific nature of the field. Second, the problem-based approach compels us to view the state as a whole, thus also paying attention to "the no man's land" lying between the borders of the ministries. In fact, several problem areas are left out of consideration because no minister feels responsible for them. Also the opposite is true, as various ministries often deal with the same issues in an uncoordinated manner, doubling relevant expenditures and causing controversy.

The transition to problem-based auditing has set new requirements for our performance auditors. First, an original methodology must be developed for every audit (problem setting, evaluation criteria, etc.) and this demands more intellectual effort and time from the auditors. Second, deeper knowledge of the audited field is necessary and thus the importance of monitoring conducted in parallel with the audits has grown considerably. The auditor's work presumes participation in conferences, forums and other similar events, also reading specialist literature. Lastly, as we have too few auditors to carry out competent audits in all the fields, we involve experts in our work.

More important audits

In general it can be said that the performance audits of 2002 have evoked discussions among the public and in the circles of specialists and provided input to governmental planning documents and draft legislation.

The auditees accepted most of our proposals and in many cases suggested specific measures to implement them. Thus it is reasonable to believe that with support from the public and the auditees the changes recommended by the SAO will really take place in the audited fields.

■ “Activity of ministries in the resocialisation of persons held in custody, prisoners and those serving a conditional sentence”

The SAO found that the prisons are mostly unable to resocialise prisoners. Upon release convicted persons typically commit a new crime, whereas those who have passed through the probation supervision stage are able to cope in society after their sentence.

Although probation supervision is applied for smaller crimes and to people with conditional sentences, it is nevertheless remarkable that 74% of prisoners are serving a second or further sentence, but only 10% of those to whom probation supervision has been applied go to prison. Probation supervision is considerably less expensive than prisons: in 2001, nearly 55 000 kroons were spent on every prisoner, whereas in probation supervision the respective figure was slightly below 3000 kroons per person.

We recommended the Parliament to adopt a clear position as to which types of offences and groups of persons call for increased attention to factors impeding resocialisation, and therefore prefer penalties without imprisonment (probation supervision, pecuniary penalty, etc.). We also proposed that all prisoners should be required to complete the probation supervision phase before the sentence is fully served.

The officials of the prisons and the Ministry of Justice agreed that resocialisation was underestimated in the Estonian penal policy and practice and that the SAO's activity in drawing attention to the fact was therefore useful.

■ “Special treatment of minors in criminal proceedings”

At present, in Estonia it is not possible to speak of criminal proceedings which would comprehensively take account of the child's personal and social characteristics and needs. Instead, children tend to be regarded as “small adults.”

The examples investigated by the SAO show that the processing of criminal cases of minors takes 29% longer than the processing of an average case. Typically there are no policemen, prosecutors and judges specialised in minors. The existence of support persons (social worker, etc.) for children is not guaranteed. Neither is it possible to send children to shelters with a regime less strict than that applied in preliminary investigation prisons. Although background information on children constitutes an important premise for formulating an effective sentence, many judges admitted the scarcity of such data in criminal case files.

The SAO recommended to the Ministers of Justice and Internal Affairs to make changes in the organisation of work in order to achieve a situation where priority would be given to processing criminal cases involving minors. Another option would be to assign special investigators and prosecutors to the cases of minors.

The SAO also recommended preparing legislative amendments which would hinder children being sent to preliminary investigation prisons without a sound reason, ensure the investigation of the child's individual traits and needs before sentencing and prohibit the exposure of minor suspects and accused minors in the media.

The results of the audit were used as input to the governmental planning document titled "Directions for the development of criminal policy until 2015." The premises and central proposals of the audit were included in the directions word for word. The Minister of Justice proceeded from the SAO's recommendations when he proposed that the Parliament should amend the draft Code of Criminal Procedure.

■ **"Activity of the state in the privatisation of AS Edelaraudtee and ordering the public passenger transport service"**

On the basis of the example of subsidisation of AS Edelaraudtee, the SAO investigated how the state has attempted to create optimal public transportation possibilities. The audit showed that in its present form the subsidisation of the passenger train service is economically inefficient and that there are no real arguments in favour of trains in comparison with other means of transportation.

A questionnaire organised by the SAO among local authorities demonstrated that trains appeared to be the sole means of transportation only for 400 people living in Southeastern Estonia. However, the state will annually be spending nearly one billion kroons on subsidising the passenger train service. According to the SAO's calculations the amount currently spent on the subsidies would make it possible to operate 9 free buses to replace each train (not considering the expenditures necessary for the construction of roads),

whereas only 1-3 busloads of people travel in each train. This means that if at least a part of the train subsidies was divided between other types of transportation, it would be possible to ensure much better movement opportunities for the passengers.

The privatisation of AS Edelaraudtee was one of the first efforts to involve private investments in offering a state-subsidised service and it can be deemed successful only in part. As the volume of the state's contract was not clear until the end of the tender and the tenderers were not asked to submit any binding bids concerning the price of the transportation services, their quality, etc., it is not clear whether the state finally received an economically optimal offer. The current contract with AS Edelaraudtee enables the company to keep raising the per kilometre price of transportation.

The SAO recommended to the Minister of Transportation and Communications to determine the level of transportation services to be provided to the population as a result of the state subsidies and to make the necessary calculations to decide whether the subsidisation of AS Edelaraudtee should be continued or the trains should at least partially be replaced with buses.

Proceeding from the audit results the Minister of Transportation and Communications agreed to make proposals to amend the Public Transportation Act.

■ **“Utilisation of payroll funds allocated for the payment of performance wages”**

The use of 100 million kroons allocated for 2001 in four ministries was audited. Both the system created for the payment of performance pay and the results on which the payments were based were analysed. The activity of the Ministry of Finance as the author of the system in the creation and coordination of the system was also assessed.

The audit concluded that the working plans and action plans on which the payment of performance pay was based did not contain clearly measurable results. Performance pay had been paid in nearly all institutions and its size or application did not depend on the implementation of any working plans. The audited institutions and the SAO found that methodological support from the Ministry of Finance as the author and initiator of the public sector remuneration reform had been weak.

The SAO also found that the Estonian public sector was not ready to apply performance pay, because the results expected from the state institutions were not connected with the objectives of the government (government development plans and strategies), and information on the achievement of results on which the payment of performance pay could be based was not

gathered. The achievement of objectives did not constitute an integral chain starting from the adoption of the state budget and the central state development plans in the Parliament and developing into the aims of each institution and public servant.

The SAO recommended stopping the payment of performance pay in institutions which had not been able to define measurable results, where the results were not connected with the principal activity and which lacked a personnel evaluation system and a related remuneration system.

Considerable discussion in the specialist circles has been evoked by our audits of educational issues. These audits have been covered in specialist periodicals and the SAO has been invited to present their results at various conferences and seminars. In addition PRAXIS has expressed its wish to involve our audit group in its research project. The SAO exchanges information and cooperates with the Ministry of Education and Research and other institutions of the field.

■ “Ensuring compulsory school attendance”

It appeared that although the Ministry of Education had devoted great attention to the problem in the past few years, it was not known how many children failed to acquire basic education and how it would be possible to improve compulsory school attendance.

The main reason why the ministry is not able to determine the number of students who fail to attend school is the absence of a legislatively fixed definition of people who should be regarded as evading compulsory school attendance. The second problem is the present system of accounting for students which does not detect those children who have never reached school and those who are enlisted in a school, but do not actually attend it.

The children who have never reached school are not detected because, due to erroneous or absent residential data in the Population Register, the local authorities have no overview of all the people living on their territory. The so-called dead souls are retained in the schools' lists because they can be deleted only after the receipt of a notice from the new school. If such a notice does not arrive and the school and the local authority are unable to locate the student, the person stays in the list of the school, although his or her education has been disrupted. The problem is particularly urgent in larger cities.

The SAO recommended to the Minister of Education to define the concept of evasion of compulsory school attendance, improve the system of accounting for students, evaluate the efficiency of various measures (special classes for children with learning difficulties, student hostels, etc.) and ensure their availability.

■ **“Organisation of practical training in institutions of vocational education”**

We found that no requirements with respect to practical training had been defined. Therefore the level of practical training in different schools was extremely uneven and the correspondence of vocational education to the needs of entrepreneurs was not ensured.

As the Ministry of Education is currently not accumulating feedback on the completion of practical training or later employment, its decisions on the organisation of vocational education may not be based on the needs of the labour market. The ministry has also not shown any initiative in the creation of standards for vocational education and therefore the schools have organised practical training in a wide variety of ways. The volume of practical training in similar specialties may differ in times and there is considerable variation in the equipment available for practical training. Better results could be received if a well-developed practical training base was also available for students from other schools.

The SAO also investigated practical training conducted at the enterprises. Nearly 30% of entrepreneurs who received students for practical training were not aware of what the students had already learned and what they should acquire during their training. Our questionnaire showed that nearly 80% of students were forced to look for a place of practical training on their own. On the one hand this put them in an unfairly difficult situation; on the other hand it opened a possibility for passing the practical training fictitiously. The volumes of training at the enterprises varied as largely as the volumes at schools. There was one school that could be finished without training at the enterprise. Such students will lack experience in teamwork and opportunities to get the attention of their potential employer.

The SAO recommended to the Ministry of Education to formulate detailed requirements for the organisation of practical training at schools and enterprises and to ensure supervision over their fulfilment. It is vital that the existence of places for practical training at enterprises is a precondition for the admission of new students in order to avoid admission to specialties in which entrepreneurs are not interested. The ministry should also move fast to start cooperation with the vocational schools to gather data on the results of practical training and career of the graduates.

The Ministry of Education has included the implementation of the audit proposals in its development priorities for 2003.

Media coverage of performance audits

As performance audits are time-consuming and thorough investigations with wider implications for various fields of social life, it is understandable that in comparison with the audits of operational risks and financial audits such audits attract greater attention and evoke discussions. It is in the interests of the SAO that every performance audit cause intense discussion. We find that in 2002 this was achieved fairly well. Attention was more modest in the cases of the follow-up audit of personnel planning in the General Staff of the Defence Forces (this is understandable as only a summary of the audit results was made public and our detailed report was a state secret) and the audit of the Population Register.

The results of the audit of resocialisation of criminals were published on the front page of the *Postimees*, used as arguments in the discussion over the necessity of the new Tartu Prison, covered in TV news and highlighted in the *Olukorast riigis* radio broadcast devoted to the discussion of current events. In the morning programme of a national television show, *Terevisioon*, the topic was commented on by Minister of Internal Affairs Ain Seppik; Chief Auditor Margus Kurm gave an interview to the evening news programme of Estonian Television's *Aktuaalne kaamera* aired in Estonian and Russian. However, all this publicity also included a controversy caused by a categorical and misleading headline in the *Eesti Päevaleht* ("The State Audit Office advises to leave criminals in freedom") which distracted the public discussion from the point of the audit – the low efficiency of prison sentences. An audit in the same field concerning the treatment of minors in criminal proceedings was reflected on the news pages of daily newspapers and the national television station. In addition to that an article by the leader of the audit team, Dag Ainsoo, was published in the *Postimees*.

Considerable attention was devoted to the audit of performance pay of public servants. The results were covered in the news carried by daily newspapers and by leading journalists (Vallo Toomet, Mai Vöörmann) in their columns, and the *Postimees* also referred to them in its editorial. The topic was commented on by private businessmen and public figures (e.g. Toomas Vilosius, Indrek Sei), the leader of the audit team, Eva Lätti, described the SAO's conclusions on Estonian Radio, and an overview of the audit as one of the main events of the year was ordered by the public service yearbook. The audit was also reflected by the Finnish press where the economy newspaper, *Tekniikka&Talous*, summarised the audit results and interviewed Eva Lätti.

The audit of AS Edelaraudtee turned out to be similarly "hot" – numerous news in the daily newspapers (incl. front page) were published, the *Postimees* printed an editorial on it, several opinion articles were published (the position contrary to that of the SAO was defended by the Ministry of Transportation and Communications and Professor of the Tallinn Technical University Aare Uustalu). The issue was covered also by TV and radio.

The news and commentaries reflected both of our audits in the field of education – the organisation of practical training in institutions of vocational education and ensuring compulsory school attendance. The latter study based on an extensive questionnaire administered in 100 Estonian- and Russian-language schools was thoroughly summarised in the *Haridus* education journal, and the results of this audit were referred to in the opinion article published by Lecturer of the Tallinn Pedagogical University Mare Leino in the *Postimees*. In connection with the compulsory school attendance audit the attention of the public was drawn to problems associated with the registration of the population, more thoroughly dealt with in the Population Register audit. Both the audits in the field of education were introduced in the teachers' newspaper, the *Õpetajate Leht*.

1.4. Other principal activities

In 2002, the total work time spent on other principal activities was nearly 2%. Officials of the SAO advised internal auditors, accountants and other officials, and they also participated in the following domestic working groups:

- Professional Qualifications Committee of Auditors;
- Institute of Internal Auditors;
- Executive Committee of Reorganising the Public Sector Accounting Principles;
- Council of Stabilisation Reserve;
- Institutions Working Group of Negotiations with the European Union;
- Expert Committee on IT Budget;
- Victim Assistance Board;
- Expert Committee on the Success Criteria of Public Sector Leaders.

Executive Committee of Reorganising the Public Sector Accounting Principles

The committee was convened on 1 August 2001 by the Ministry of Finance and in addition to the ministry's officials it includes representatives from local authorities and the Accounting Board, consultants from the audit company PricewaterhouseCoopers, Chief Auditor of the Financial Audit Department Kaie Karniol and Audit Manager Tõnis Saar from the SAO.

Throughout the past three years, the SAO has drawn attention to the following problems:

- Reports do not reflect the actual results of the activities of institutions. Therefore information obtained from the reports does not make it possible to evaluate the economic efficiency of the activity of institutions.
- Reports do not contain information used for making management decisions in institutions. Therefore alternative information sources have to be used and this causes additional expenditures.
- Reports contain voluminous data which have no real users. The collection and processing of unnecessary information cause needless additional expenditures.
- The regulation of the public sector accounting system is not in conformity with the international generally accepted accounting principles. This may cause problems in Estonia's accession to the European Union.

In the past eighteen months:

- proposals on amending the Accounting Act have been made. Part of the proposals were implemented with the adoption of the new Accounting Act on 20.11.2002;
- the real situation, incl. the real needs of the consumers, has been mapped and the principles of the new model of public sector accounting have been agreed on;
- detailed preparation of the report forms and the respective general regulation has reached the final stage.

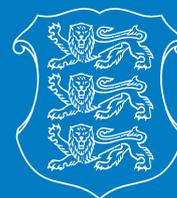
As the new system of public sector accounting is planned for implementation on 1 January 2004, reporting on 2004 can be expected to reach a new level.

Chief Auditor of the Department of Audit of Operational Risks and Acting Auditor General Jüri Kõrge answered the following questions of members of the Parliament:

- questions on Riigi Kinnisvara AS (Jaanus Männik and Janno Reiljan);
- questions on criminal theft and squandering resources in the Cultural Endowment and other government agencies (Jaanus Männik, Janno Reiljan and Mai Treial).

We gave our opinions on draft acts and lower legislative acts (in total over 40) of which the Accounting Act and the regulation on the establishment, reorganisation and dissolution of state agencies administrated by government agencies received more thorough treatment.

We answered 102 applications and information requests submitted by individuals and organisations.



2. Development activities

In 2002, the SAO's development activities were based on the strategy of the SAO for 2000–2003 and the work agreements between the Auditor General, the heads of departments and the director. We invested 21 907 hours or about 14% of our work time in the development activities. This volume exceeds the figure for 2001 by more than four times.

The central development projects in 2002 were:

- review of the SAO's strategy for 2002–2004;
- development of auditing methodology and preparation of the audit manual;
- cooperation project with the Netherlands Court of Audit and the MDF management consultancy company;
- implementation of competency-based evaluation, remuneration and development;
- adjustment of the SAO's external web to the requirements of the Public Information Act and implementation of electronic document administration. Considerable attention was also devoted to the development and implementation of the SAO's IT security system.

2.1. Development of methodology

The SAO aims to be a competent and reliable organisation. To achieve this, the quality of our audits must be good. However, audits of stable quality based on uniform principles cannot be produced without standards.

Of course, it is necessary and inevitable to take guidance from various standards which are not specifically audit-oriented, but regulate our operating environment as a whole. An example of such a standard is the generally accepted accounting principles. With respect to standards of auditing, we have proceeded from the INTOSAI standards, the financial audit manual and sample working papers of the UK National Audit Office, etc. Yet we find that this is not sufficient. Reliability cannot be born without flexibility and attention to finesse. In view of the existing guidance materials we are working on our own instructions on the auditing process and methodology which would suit our organisation and conditions.

In the past year, this project launched a couple of years ago involved all the audit departments. We adopted an audit strategy to be used as a basis for all our work and introduced it to the government and the public. We specified the so-called product descriptions or definitions of what is investigated by different types of audits and also developed our audit planning documents and techniques. Proceeding from the new State Audit Office Act and the earlier formats for audit reports and the Chief Auditor's opinions, we developed a uniform standard audit report format. A more specific description of content was formulated for the monitoring conducted by different departments.

Our final objective is to define audit standards that would be based on international standards and take into account the specific conditions at the SAO, as well as to compile a periodically updated audit manual on the implementation of these standards. Our aim is to ensure the coverage of all the focal parts of the manual with training modules to be used for instructing new auditors. In parallel with the definition of the audit standards it is necessary to harmonise internal control over the quality of the audits in the preparatory stage and external evaluations of completed audits being requested.

2.2. Priorities of foreign relations of the State Audit Office

The three main priorities of the SAO's foreign relations in 2002 were the same as established several years ago:

- **Participation in the activities of INTOSAI and EUROSAI⁸.** The SAO is represented in INTOSAI's Working Groups on Environmental Auditing and on Privatisation and EUROSAI's Working Groups on Environmental Auditing and on Information Technology. The central event in the past year was the Congress of European Supreme Audit Institutions held in Moscow where the main topic was the state budget implementation audit. The discussions concerned the role of the supreme audit institution during the different stages of processing the state budget: preparation of drafts, discussion on the budget in the parliament, implementation of the budget and reporting on its implementation. Experiences with the use of information technology in auditing the implementation of the budget were compared. In 2002, the Auditor General's six-year term as a member of the Governing Board of EUROSAI ended.
- **Cooperation between the EU candidate countries and the European Court of Auditors.** After Estonia's accession to the EU the cooperation will develop into collaboration in the framework of the Contact Committee of Heads of the Supreme Audit Institutions of the EU and various working groups.
- **Creation and development of contacts with other supreme audit institutions.** Our main partners include the supreme audit institutions of the Netherlands, the United Kingdom, the Baltic and the Nordic countries and the European Court of Auditors. At the meeting of the representatives of Estonian, Lithuanian, Latvian, Norwegian, Swedish, Finnish and Danish supreme audit institutions and the European Court of Auditors held in September in Riga the following issues topical for the Baltic States were discussed: administrative capability and its measurement, development of financial management systems and combating corruption and fraud in the public sector.

⁸ European Organisation of Supreme Audit Institutions.

⁹ General report on the activities of the Community in accordance with Article 212 of the EU Treaty.

Fourthly, the newest area of international cooperation is our support extended to the Accounting Chamber of Ukraine and other transitional countries. The SAO also makes its contribution to the INTOSAI Development Initiative training programme.

In the past year, when the European Court of Auditors audited the use of EU funds allocated for environmental projects, the SAO operated as a mediator between the court and the relevant Estonian ministries. However, according to the new SAO Act it is also the SAO's responsibility to audit the use of EU funds in Estonia. Therefore we analysed our readiness for this task. We selected auditors specialising in the respective issues, organised information collection and training.

Experience obtained from the European Court of Auditors

In the EU the European Court of Auditors (ECA) performs a role similar to that of the SAO in Estonia. Its task is to audit the central annual report of the EU – the Annual Report of the European Commission⁹. For this purpose the Court of Auditors audits all the revenue and expenditure accounts of the Community and checks whether the budgetary revenues of the EU have been received and whether the expenditures have been incurred in a legal and regular manner. Particular emphasis is put on auditing the reliability of financial management, i.e. it is assessed whether, to what extent and at what cost the management objectives have been achieved.

The Court of Auditors prepares an annual report after the end of every financial year. The report is forwarded to the other institutions of the Community and is published along with their replies in the Official Journal of the European Union. The Court of Auditors is located in Luxembourg about two hundred kilometres from Brussels, which is the principal location of its main auditee – the European Commission.

From March to August 2002, Advisor of the Methodology, Planning and Reporting Service Jüri Raatma worked as an intern at the European Court of Auditors.

"It was a useful experience, as after the initial training programme I was able to participate in practical auditing which is indubitably the best way to learn about an organisation and its activity. The European Court of Auditors is distinguished from the SAO and the supreme audit institutions of other countries by its international character. In their daily work the auditors, in addition to the EU institutions, also have to deal with the institutions of the Member States. The staff of the court is multinational, starting from the top management where every Member State is represented with one member. In practice this means that work is done and documents prepared in several languages and a large number of translators is needed.

"To gather audit evidence auditors frequently leave Luxembourg to visit the Member States, candidate countries and third countries supported by the EU. Representatives of the Court of Auditors also visit Estonia and the SAO is their cooperation partner here.

“Comparing the audit approach used by the European Court of Auditors with the approach of the SAO it can be said that most of the differences are not of principal importance and are conditioned by different operating environments. The activities of both organisations are based on international audit standards.

“The administrative structures of the EU are more complex than those in Estonia and have more levels and this also complicates the audits. In comparison with the SAO the audits of the European Court of Auditors employ more conclusions based on statistical samples. I was very interested in the discussion of audit reports with the European Commission. Although in principle the process is similar to the communication between the SAO and the government, it is remarkable that the nuances of wording of the central conclusions are agreed on by very detailed negotiations.”

After the enlargement of the EU the amount of EU budgetary means used in Estonia will grow. As said before the SAO is competent to audit the use of such resources in Estonia. Thus the successful cooperation between the SAO and the European Court of Auditors will continue.

Cooperation programme with the Netherlands

In the field of cooperation with the supreme audit institutions of other countries it is important to mention our joint efforts with the Netherlands Court of Audit aimed at developing the SAO. To date, experts from the Netherlands, working in the framework of a programme financed by the government of the Netherlands, have been advising the SAO for three years. Currently, the programme is in its last six months and its results are to be summarised this June. How has the SAO benefited from its foreign partners who have paid numerous visits to Estonia – the Netherlands Court of Auditors, the MDF management consultancy company and the SENTER agency?

The knowledge of the foreign experts has helped us in our audit work. The experts have participated in all three types of audits practised by the SAO, all in all working with 11 audits. As a result our audit methodology has been developed and the quality of audit reports has improved. Experts from the Netherlands have emphasised constant learning and currently systematic self-evaluation is conducted at the SAO in order to encompass new ideas generated in audit work and to make better use of the lessons learned.

Our partners from the Netherlands have actively participated in the development projects of the SAO. An aspect worthy of particular emphasis is the implementation of competency management. But although we have had many things to learn from the Dutch, the benefits of the cooperation have been mutual. We have positively surprised our partners with the innovative solutions for our intranet (particularly concerning the development of work time accounting and monitoring catalogue) and with the new strategy of the SAO.

As there is experience of joint work and our operating principles are being harmonised, the SAO is willing to continue as a close cooperation partner of the Netherlands Court of Audit.

2.3. Competency management as the basis of personnel and remuneration policy

Only an organisation where possibly more employees feel that their objectives and interests coincide with those of the organisation can move on rapidly. To achieve this, it is insufficient merely to announce the objectives of the organisation and specific attention is to be devoted to single individuals. Therefore the SAO has decided to apply competency management in its personnel policy. If a person feels that his/her knowledge, skills and abilities find application and his/her shortcomings are remedied in a businesslike manner, the organisation will be able to achieve its aims efficiently and without coercion.

Competency management is an integral model well-suited for an organisation whose principal activity is relatively compact. The model is applied from personnel planning to remuneration. The following are some examples.

- Personnel planning is based on the knowledge of competencies existing or lacking in the respective department, e.g. knowledge of the field, teamwork and written communication skills. During the recruitment procedure the applicants can be informed of the job profiles necessary for the SAO at present and in the future and of how the necessary competencies are expressed in working behaviour. In recruitment attention can be devoted only to significant competencies, thereby improving the reliability of the selections made.
- In personnel development time and money can be allocated for the achievement of training and career aims of the SAO. In personnel evaluation it is possible to obtain objective and comparable feedback on the performance of an employee, his/her outstanding competencies and areas which need further development. In remuneration fair and understandable individual remuneration or competency pay can be applied.

The means of competency-based personnel management include the annual development interviews, the introductory programme for new employees, independent and organised training, evaluation, development and remuneration manuals, time and money. The following are some specific examples of the outputs of competency-based personnel management in 2002.

- The structure and composition of the departments was changed so as to enable employees to move up on the following long career ladder: junior auditor → auditor → senior auditor (→ audit manager → deputy chief auditor → chief auditor).
- One audit manager was promoted to deputy chief auditor, 19 auditors to senior auditor, 13 junior auditors to auditor.
- An introductory programme comprising ten modules for new employees was implemented. The programme covered the organisation of the SAO and its operating environment.

- Training programmes primarily aimed at strengthening audit competencies were organised (monitoring, audit planning, preparation of audit proposals and risk assessment, collection, analysis and documentation of audit evidence, writing reports, investigation of social problems, quality and process management). In addition to external trainers our internal trainers were used who thus had an opportunity to make their work more varied.
- The development of competency cards for the whole organisation was completed.
- As a result of the development interviews competency pay for the next development and evaluation period was decided for departmental officials – the average extra pay received by the chief auditors and audit managers was 14% of their salary, for senior auditors and auditors the average extra amount was 12%.

Employees say

Some answers to the question on which decision, action or fact first came to the employees' mind in connection with the key phrase "competency management in 2002."

- Salaries have become more transparent – there is one salary and competency pay payable on a clear basis, the receipt of the competency pay is based on factors that everybody can understand and it improves motivation.
- The knowledge, skills and experience of a person are assessed on the basis of his or her work results.
- I was away from the SAO for a long time and thus nothing in particular comes to my mind.
- As I had wished to receive training in my individual development plan, I was able to participate in a suitable professional training programme. My participation was supported by the head of my service.
- Learning – how to match the strategic objectives of the institution and the employees' development plans? Subordinates and superiors should learn together.
- Active participation in the development of competency cards. People who have put their soul into the creation of a system or document can be sure to take it into account in their work.
- A summer seminar where an informal environment and pleasant company helped to find answers to many questions that had arisen in work.
- A multitude of papers in turn connected with other papers whose implementation involved a lot of studying, filling in and thinking – in itself quite a normal thing.
- The development interview. It makes it possible to get feedback and discuss new ideas.

2.4. Work agreement as a means for rational management

Last December, work agreements were concluded in the SAO for the third time. The heads of departments and the director concluded agreements with the top executive (this time the Acting Auditor General) on the main activities of the next year, the time to be spent on them and their results. Evaluation is carried out on the basis of fulfilment of the work agreement and the changeable part of remuneration depends on it.

The work agreement is not just an ordinary work plan. Its nature is best described by the word itself – an agreement. It is not an order issued from above that has to be obeyed at any price or shunned, if possible. On the contrary, it implies the active participation and interest of both parties. The conclusion of the agreements is preceded by thorough discussions and planning at the level of departments and services. This enables us to ensure that the plans are realistic and have the employees' support.

In the work agreement we attempt to set out only measurable objectives and results. One of the central parameters is the money spent on activities which in our organisation is mostly reducible to working time (about 80% of our budget is salary costs).

As the work agreements are based on the strategy of the SAO, all activities recorded in the agreements are necessary to achieve our strategic aims.

How does the document direct the employees' performance throughout the year? Probably it would have no influence whatsoever, if it were laid aside and forgotten until it is time to prepare the annual report. As the work agreement contains only measurable quantities, it is possible to monitor its fulfilment. Four times a year, the departments and services present thorough interim reports that are discussed with the Auditor General. Indicators connected with audits are additionally discussed once a month.

Analogous agreements are used in the supreme audit institutions of Finland and other countries. The work agreement has become a familiar and integral part of the management culture of the organisation.

2.5. Citizens and the web page of the State Audit Office

The external web is the only channel whereby taxpayers can get full information on the audits investigating the use of their money. Therefore also in 2002 the SAO devoted great attention to the development of the external web. The following is a list of landmarks in the development of the external web in 2002.

- In February, in the audit titled “Population data in state registers” a web questionnaire was used for the first time.
- In March, we published our document register and started to display the work agreements. We prepared comprehensive personal data pages for each employee which, alongside their photographs and contact data, describe their job and education. As we value publicity and transparency in the use of the taxpayers’ money, we publicise the salaries of all the employees and the division of the salaries in parts.
- As of April, the external web includes articles written by the officials of the SAO.
- Since July, we started to display our current audit plan.
- In October, a small glossary for auditors was published to help the readers of our audit reports and other materials. From October, it is possible to send files under the title “Suggest an audit.”
- Throughout the year, the collection of links concerning audits and other topics connected with the operating environment of the SAO was completed. The links referring to reports and manuals of different countries should be of interest to public servants and particularly auditors.

On average our web page was visited by over 1000 people monthly, whereas every visitor used the page more than three times a month and viewed 12 pages per visit.

External web is primarily a communication channel

When the SAO updated its web page in 2001, the aim was to develop not only a source of information, but a medium for two-way communication with all interested parties. By now, in addition to the possibility to submit information requests and applications as prescribed by the Public Information Act, it is possible to use our web page to comment on the audits and ask specifying questions. In addition to having a possibility to criticise our work, every visitor of the web page can actively participate in the work of the SAO by informing us about relevant observations and suggesting new audit topics.

The creation of the possibility to comment on audits has justified itself and comments have provided notable complementary material for our audits. For instance, in connection with the audits of the subsidies to AS Edelaraudtee and resocialisation of criminals extremely lively discussions emerged on the web page. An answer on financing political parties given to an ordinary visitor in the framework of a web forum reached the press. The SAO itself has asked for comments from people connected with audit results or specialists of the respective fields – e.g. after our audit concerning study loans the topic was discussed by a representative of Union Bank.

When creating the possibility to suggest audits, the aim of the SAO was to get information on the audit topics which might benefit society to the greatest extent. This possibility is used by different people – there are those who have personally been treated unfairly by the state, those who have questions about the fairness of treatment of others, those who suspect inefficiency in their field of activity and those who have concerns encompassing society as a whole. Some suggestions are submitted anonymously, others bear the author's (sometimes well-known) name.

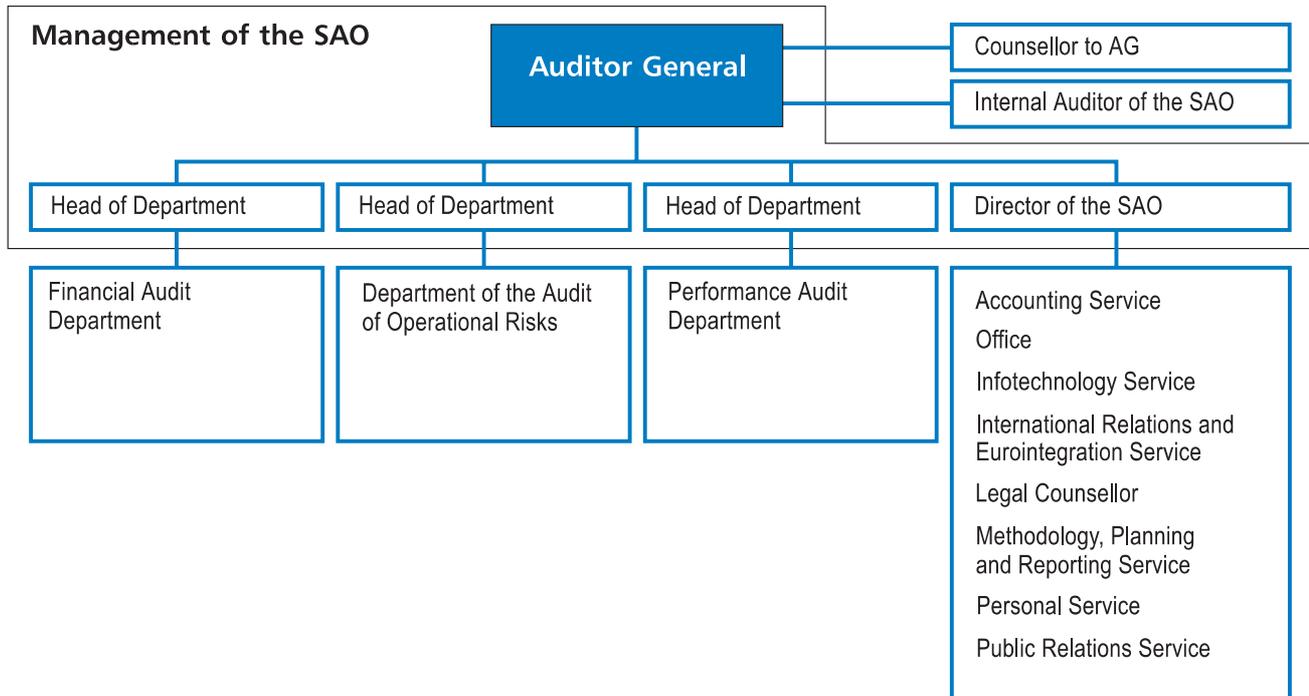
Although the SAO cannot start an audit in response to every suggestion, everything that is recommended reaches the audit departments. As all letters received on the web page are dealt with as ordinary correspondence, i.e. there is an obligation to respond to them, no messages received by us over the Internet remain unattended.

In planning our work and evaluating its quality we take into account the number and content of various comments and suggestions received. Feedback from citizens shows whether our positions are understandable and whether we have been alert to all significant facts. The number of suggestions on a certain topic indicates what should definitely be audited. The taxpayers must feel that they have adequate possibilities to communicate their opinions to the institution whose task is to monitor the use of their money paid to the state.



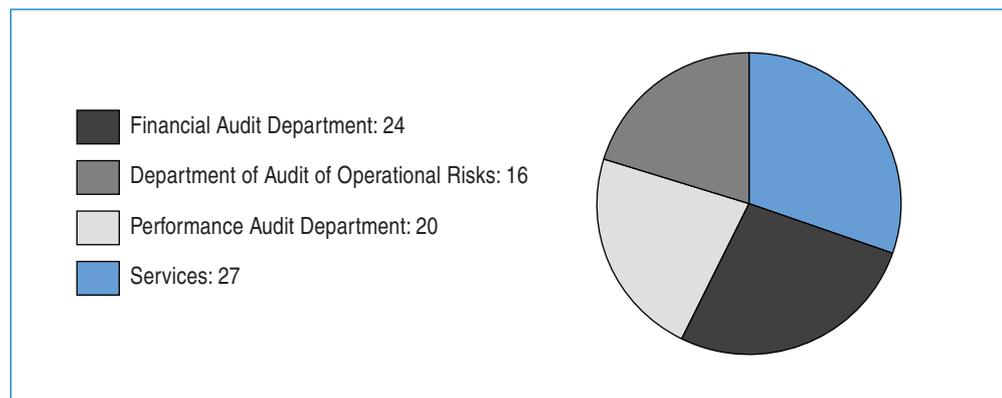
3. Organisation

3.1. Structure of the State Audit Office



3.2. Distribution of personnel across departments

In 2002, the SAO employed 93 people on average. As of 31.12.2002, the SAO employed 89 people who were divided across the structural units as follows:

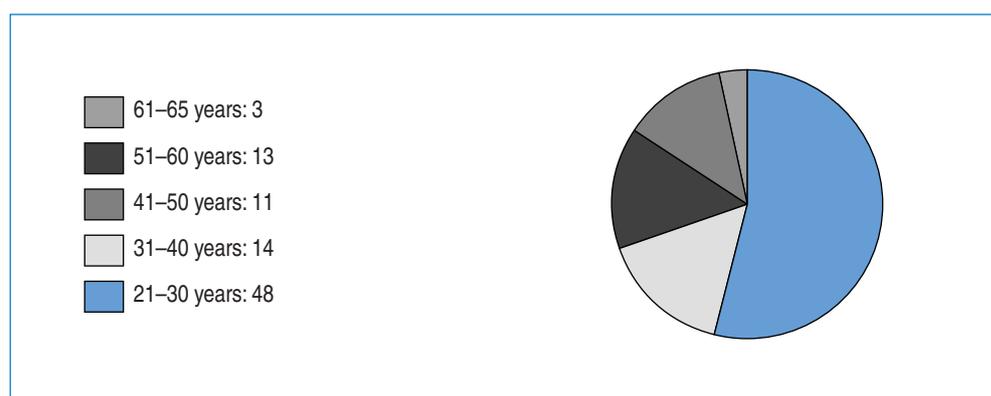


3.3. Education, age and length of service of employees

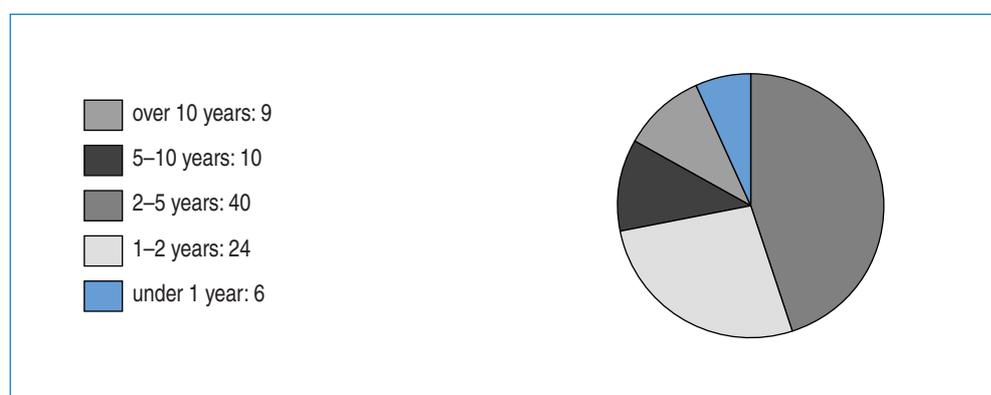
As of December 31, 94% of the employees of the audit departments of the SAO had higher education, incl. 5 employees with a master's degree, 8 students in a master's programme and 1 in a doctorate programme.

Of the 89 employees who worked in the SAO at the end of 2002, 76 or 85% had higher education and 7 employees were acquiring it. In addition 6 employees had a master's degree, 12 were studying in a master's programme and 2 in a doctorate programme.

The average age of employees as of December 31 was 35 years. By age groups the employees were distributed as follows:



At the end of the year, the average length of service of the employees in the SAO was 3 years. Across the length of service the employees were distributed as follows:



The stabilisation of the management of the organisation and the working environment, as well as efficient recruitment, have constantly decreased staff mobility. In 2000, the year of great change and reorganisation for the SAO, the mobility percentage was 36%; in 2001 it fell to 22% and by the end of 2002, to 11%.



4. Resources

4.1. Use of funds allocated to the State Audit Office

Budget

The operating expenses of the SAO are covered from the state budget. In 2002, the SAO received from the state budget 28 200 000 kroons, which made up nearly 0.1% of the total expenses of the budget.

The budget allocated for 2002 in the State Budget Act increased by 5.3% compared to the budget for 2001. The budget grew mainly due to increased expenditures on the involvement of professional work force and its competitive remuneration.

Of 28 200 000 kroons 27 962 829 kroons were used, 237 171 kroons were left unused.

Article	Budget 2001	Expenses 2001	Budget 2002	Expenses 2002
10 Wages	13 555 000	12 823 706	14 864 875	14 703 350
21 Social tax	4 473 000	4 245 159	4 905 335	4 864 341
22 Unemployment insurance tax	0	0	72 904	71 707
30 Administrative expenses	6 827 000	6 824 616	6 340 886	6 246 516
37 IT	1 390 000	1 389 989	1 500 000	1 462 016
44 Purchased works and services	100 000	100 000	200 000	89 840
57 Membership fees of international organisations	16 000	10 102	16 000	10 309
76 Acquisitions	419 316	419 316	300 000	289 485
54 Study loan	0	96 981	0	225 265
Total	26 780 316	25 909 869	28 200 000	27 962 829

Investments

During the year, 1 185 461 kroons were invested in non-current assets. Most of the investments concerned IT resources – a public procurement for the purchase of 25 computers, 15 monitors and 2 servers was conducted. The acquisition costs of the IT equipment recorded as non-current assets were 930 575 kroons, the acquisition costs of other fixtures and equipment were 239 092 kroons.

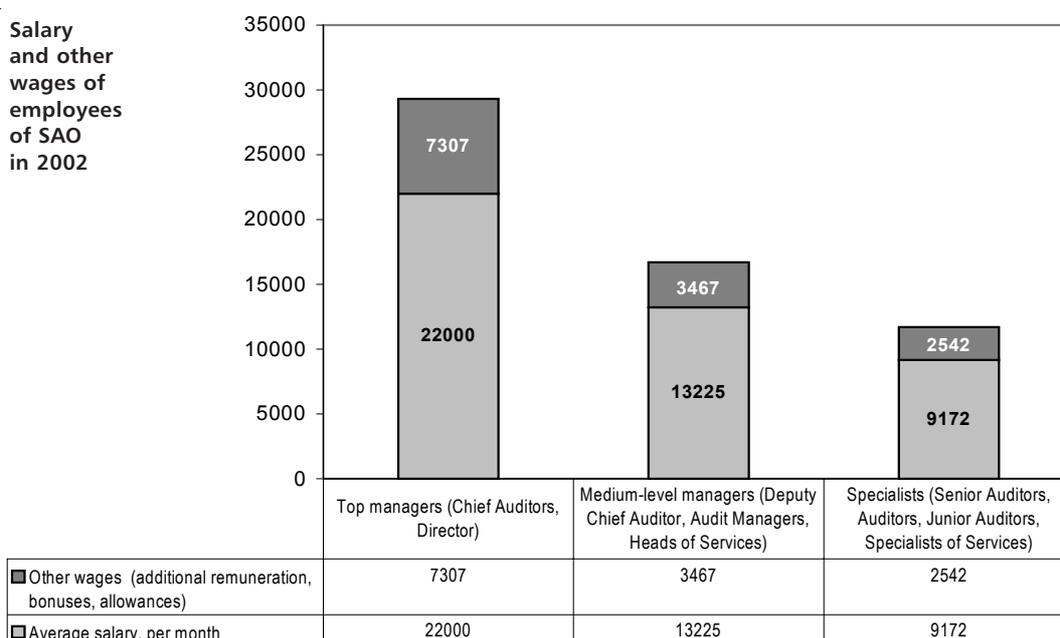
As of 31.12.2002, the residual value of the non-current physical assets owned by the SAO was 22 919 629 kroons.

Personnel expenses

Wages

Wages and the social tax on the wages were the largest expenditure items and made up 74.1% (19 637 183 kroons) of the operating expenses of 2002.

The average monthly wages received by the employees of the SAO in 2002 was 29 307 kroons for top management, 16 692 kroons for medium-level managers and 11 714 kroons for specialists. The average monthly salary in 2002 was 22 000 kroons for top management, 13 225 kroons for medium-level managers and 9 172 kroons for specialists. Other types of wages paid in addition to salary (competency pay, additional remuneration, bonuses and allowances) made up on average 25% (7 307 kroons) of the wages of top management, the respective figures for medium-level managers and specialists were 21% (3 467 kroons) and 22% (2 542 kroons).



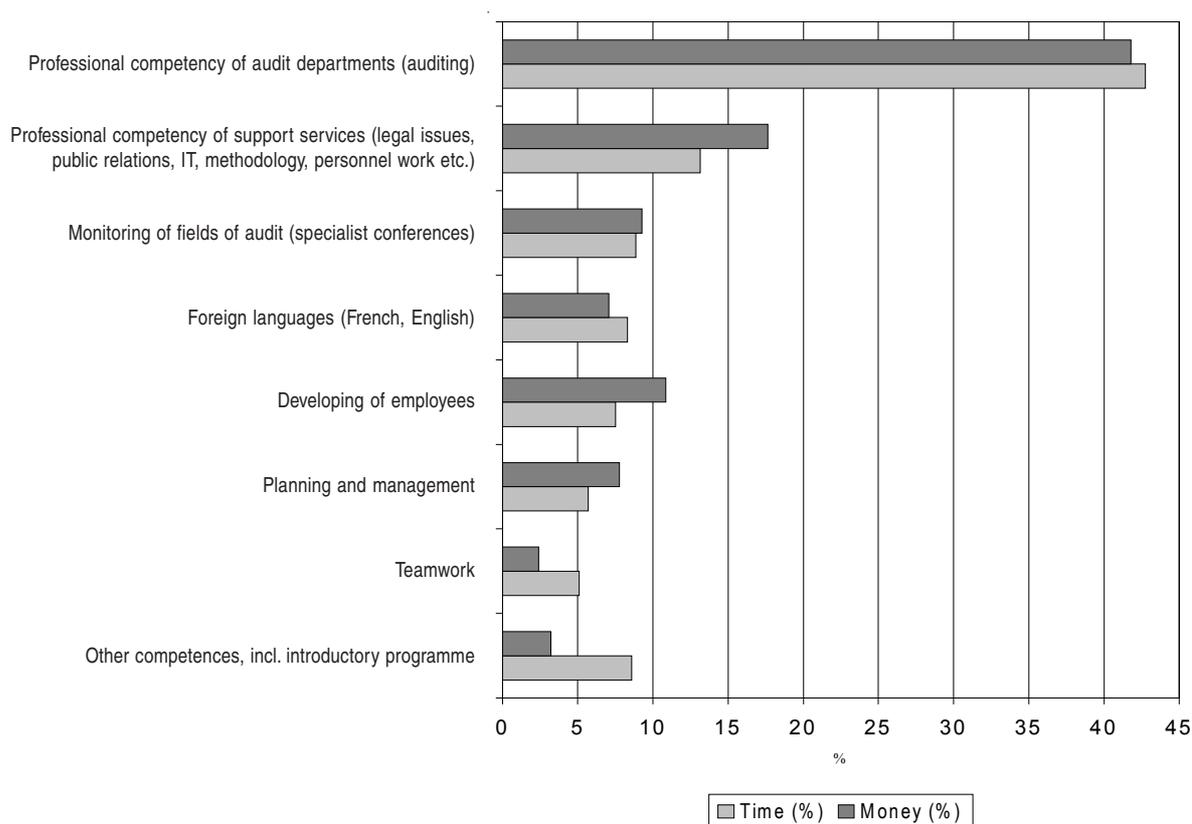
Training

In 2002, the SAO spent 695 240 kroons and 7656 hours on developing its employees. The training costs made up 4.7% of the annual payroll.

Employees of the SAO participated in internship programmes in Estonia and supreme audit institutions abroad. Most of the in-service training conducted in the audit departments and services was aimed at improving the professional competencies of the employees. Employees also actively participated in relevant conferences and improved their language skills.

On average 7730 kroons and 82 hours were spent on training one employee. Additional independent development activities took 5730 hours, on average 62 hours per employee.

Distribution of money and time spent on the training of employees in 2002



Assignments abroad

To develop the SAO's international relations and audit Estonian diplomatic representations abroad, 31 employees spent 641 days on 66 assignments abroad. For this purpose 614 172 kroons were allocated on account of assignment expenditures.

Statement of financial position

	Financial year 31.12.2002	Previous year 31.12.2001
ASSETS		
Current assets		
Cash and bank	13	55 725
Other receivables		
Receivables from employees	2 908	1 717
Total	2 908	1 717
Prepaid expenses		
Prepaid insurance expenses	29 494	26 089
Prepaid taxes	1 886	0
Other prepaid expenses	84 777	61 937
Total	116 157	88 026
Total current assets	119 078	145 468
Non-current physical assets		
Buildings and facilities	24 166 817	24 166 817
Other non-current assets	8 498 215	8 347 647
Depreciation of non-current assets	-9 745 403	-7 426 365
Total non-current assets	22 919 629	25 088 099
TOTAL ASSETS	23 038 707	25 233 567

	Financial year 31.12.2002	Previous year 31.12.2001
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Current portion of current liabilities	177 106	245 819
Supplier payables	207 727	411 541
Other current liabilities	0	21 232
Total	384 833	678 592
Personnel tax liabilities	1 956	15 953
Accrued expenses		
Due to employees	751 785	613 544
Total	751 785	613 544
Total current liabilities	1 138 574	1 308 089
Non-current liabilities		
Liabilities to leasing companies	95 333	272 439
Total	95 333	272 439
Total non-current liabilities	95 333	272 439
Total liabilities	1 233 907	1 580 528
Net assets		
Net assets	27 458 110	4 156 760
Donated capital	371 369	715 716
Accumulated surpluses/deficits	-4 520 787	23 301 350
Deficit of the financial year	-1 503 892	-4 520 787
Total net assets	21 804 800	23 653 039
TOTAL LIABILITIES AND NET ASSETS	23 038 707	25 233 567
Off-balance-sheet assets	1 348 231	1 665 045
Off-balance-sheet receivables	35 195	0

Statement of financial performance

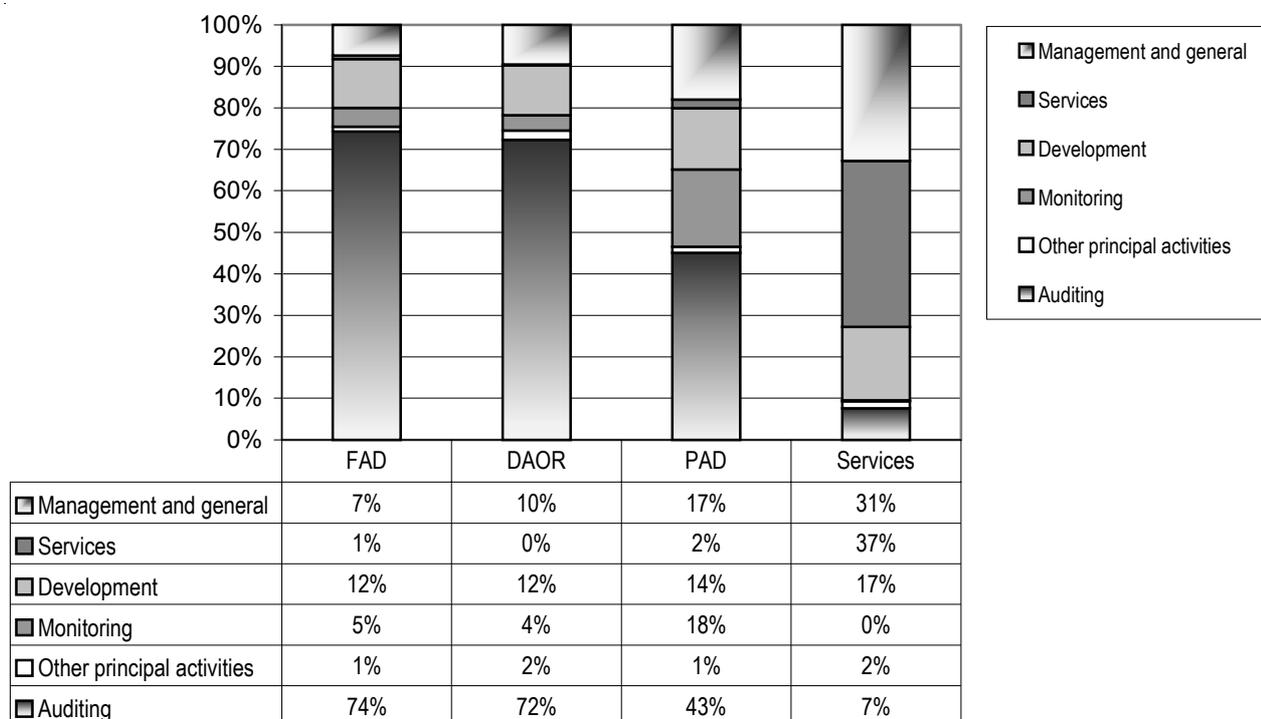
	Financial year 2002	Previous year 2001
Operating revenue		
Revenue from state budget	27 962 829	25 909 869
Total operating revenue	27 962 829	25 909 869
Operating expenses		
Wages and salaries	14 707 909	12 835 021
Social tax expenses	5 096 209	4 388 655
Holiday benefits	131 421	147 497
Other personnel expenses	1 258 790	1 632 273
Administrative expenses	5 176 238	5 640 828
Other operating expenses	127 341	2 614 624
Transfers and subsidies	10 309	10 102
Total operating expenses	26 508 217	27 269 000
Depreciation	2 899 205	3 074 326
Deficit from operating activities	-1 444 593	-4 433 457
Financial revenues and expenses		
Financial revenues	0	4 998
Financial expenses	59 299	92 328
Collection of taxes, payments, levies and fees		
Revenue from collection of taxes	0	9 234
Transfer of taxes, payments, levies and fees	0	9 234
Net deficit	-1 503 892	-4 520 787

4.2. Use of work time

In 2002, the employees of the SAO had 156 634 work hours at their disposal after subtracting the vacations and sick leave days. Of this time 69 041 hours, i.e. 22.5% more than in 2001, were spent directly on audit projects and the preparation of the overview on the use and preservation of state assets. The audit departments spent on average 63% of work time on auditing and 9% of time on monitoring connected with their fields of audit.

Over the whole office 44% of time was spent directly on audit projects, 2% on other principal activities, 6% on keeping track of the fields of audit or monitoring, 14% on development activities, 18% on management and other organisational activities and 13% on the activities supporting the main process of the SAO (planning and reporting, legal consultancy, international relations, public relations, IT services, accounting, document administration).

Distribution of use of work time in 2002

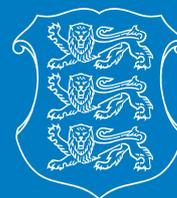


5. Auditor's report





Annexes



Employees of the State Audit Office in the year 2002 (as of 31.12.2002)

Dag Ainsoo	Kalev Lattik	Heiki Randma
Sale Ajalik	Kadri Lehenurm	Evi Riives
Airi Alakivi	Ingrit Lepasild	Siiri Roose
Peeter Annus	Eili Lepik	Mari Rull
Markko-Raul Esop	Kadri-Liis Loigu	Svetlana Rõbakova
Jane Etverk	Eva Lätti	Tõnis Saar
Katrin Gottlob	Peeter Lätti	Tarmo Sepman
Rein Harjo	Alo Lääne	Sven Soiver
Liidia Heinlo	Maidu Lääne	Õie Soovik
Raivo Hurt	Olav Lüüs	Merike Starovoitov
Anne Hurt	Piret Malv	Saima Strenze
Margit Jaksen	Airi Mark	Marek Suurniit
Heli Jalakas	Raul Mark	Madis Särekanno
Krista Jansen	Siiri Martverk	Rein Söörd
Mare Kabrits	Kristjan Mellik	Jelena Zubova
Katri Kadakas	Erki Must	Vladimir Žugov
Kaie Karniol	Maimu Mölderson	Ira Tambik
Jaanus Kasendi	Anneli Narusk	Kaire Tamm
Ilmar Kerm	Tiina Ojasalu	Katri Tammsaar
Kristel Kerson	Ilme Ott	Helen Trelin
Helerin Kivilo	Kristjan Paas	Timo Tupp
Hedy Kohv	Helen Paliale	Jaana Tõnisson
Aalo Kukk	Andra Peel	Liisi Uder
Eevi Kuld	Kairit Peterson	Krista Uuna
Lembi Kull	Margit Piller	Aivo Vaske
Karin Kuller	Sven Potapov	Janno Veskimets
Margus Kurm	Kaire Prens	Anneli Viirmann
Jüri Kurss	Pille Pöder	Ene Viru
Vello Kuuse	Maret Põldaas	Evelyn Vällik
Jüri Kõrge	Jüri Raatma	



List of audits carried out in the year 2002

The audits carried out in the year 2002 were distributed between ministries and their areas of government as follows.

Ministry of Agriculture

1. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Agriculture for 2001.
2. Assessment of risks related to the payment of subsidies for liming agricultural land.
3. Assessment of risks related to the payment of advisory support.
4. Issuance of permits for import of food raw materials and food.
5. Assessment of risks related to the payment of grain subsidies.
6. Assessment of risks related to the payment of stockbreeding subsidies.

Ministry of Culture

7. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Culture for 2001.
8. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of Estonian Concert for 2001.

Ministry of Defence

9. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Defence for 2001
10. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Baltic Defence College for 2001
11. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Peacekeeping Operations Centre for 2001
12. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Information Board for 2001
13. Follow-up audit of task 013/2000 – Personnel management in the Defence Forces on the example of personnel planning in the General Staff of the Defence Forces

Ministry of Economic Affairs and Communications

14. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Economic Affairs for 2001.
15. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Patent Office for 2001.
16. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Transportation and Communications for 2001.
17. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Road Administration for 2001.
18. Utilisation of money allocated for the maintenance of state roads and the organisation of related public procurements.
19. Activity of the state in the privatisation of AS Edelaraudtee and ordering the public passenger transport service.
20. Activity licences issued by the Maritime Administration.

Ministry of Education and Research

21. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Education for 2001
22. Organisation of practical training in institutions of vocational education
23. Ensuring compulsory school attendance

Ministry of the Environment

24. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of the Environment for 2001.
25. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Environmental Inspectorate for 2001.
26. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Land Board for 2001.
27. Opinion of the SAO on the annual accounts of the State Forest Management Centre for 2001.

28. Assessment of risks related to the payment of subsidies for the maintenance of semi-natural associations.

Ministry of Finance

29. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Finance for 2001.
30. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Statistical Office for 2001.
31. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Tax Board for 2001 and the report submitted to the Department of State Treasury of the Ministry of Finance on the receipt of state revenues for 2001.
32. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Customs Board for 2001 and the report submitted to the Department of State Treasury of the Ministry of Finance on the receipt of state revenues for 2001.
33. Opinion of the SAO on the report of administration of the Stabilisation Reserve for 2001.
34. Opinion of the SAO on "Report on the existence and allocation of the resources administrated by the State Treasury."
35. Assessment of risks related to the payment of compensation for remuneration not received by employees as a result of the bankruptcy of their employers.

Ministry of Foreign Affairs

36. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Foreign Affairs for 2001.

Ministry of Internal Affairs

37. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Internal Affairs for 2001.
38. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Security Police Board for 2001.

39. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Rescue Board for 2001.
40. Opinion of the SAO on the accounting in the Police Board in 2001.
41. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Estonian Public Service Academy for 2001.
42. Administration of regional policy loan.
43. Organisation of public procurements in the Ministry of Internal Affairs and institutions in its area of government.
44. Payment of catering and residence allowance to border guard officials.

Ministry of Justice

45. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Justice for 2001
46. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Prosecutor's Office for 2001

Ministry of Social Affairs

47. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the Ministry of Social Affairs for 2001.
48. Opinion of the SAO on "Report of the receipt and utilisation of resources allocated for state pension insurance for 2001."
49. Opinion of the SAO on "Report of the receipt and utilisation of resources allocated for state health insurance for 2001."
50. Utilisation of money allocated for the alcoholism and drug addiction programme.
51. Utilisation of money allocated for the governmental HIV/AIDS prevention programme.
52. Assessment of risks related to the payment of childcare allowances.
53. Assessment of risks related to the payment of compensation benefits for technical means of assistance.
54. Assessment of risks related to the payment of compensation benefits for damage caused to health.

55. Assessment of risks related to the payment of subsistence benefits.
56. Assessment of risks related to the payment of single parent's child allowances.

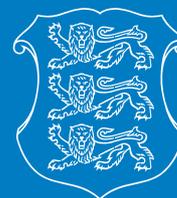
State Chancellery

57. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the State Chancellery for 2001.
58. Opinion of the SAO on the annual accounts and the report on the implementation of the state budget of the National Archives for 2001.
59. Legality of the activity of the State Chancellery in the liquidation of the Government Department of Communications.

In addition to the above list, the SAO carried out audits encompassing **the areas of government of several ministries.**

60. Activity of ministries in the resocialisation of persons held in custody, prisoners and those serving a conditional sentence (Ministries of Justice, Internal Affairs, Education and Social Affairs).
61. Special treatment of minors in criminal proceedings (Ministries of Justice and Internal Affairs).
62. Issuance of building permits, design permits and construction supervision permits (Ministries of Culture, Economic Affairs, Agriculture and Transportation and Communications).
63. Utilisation of payroll funds allocated for the payment of performance wages (Ministries of Finance, Justice, Defence and Transportation and Communications).
64. Population data in state registers (Ministries of Internal Affairs, Transportation and Communications and Finance).

**Summaries of all the above-mentioned
audit reports are available on the web page of the SAO at
www.riigikontroll.ee.**



Chronology 2002

January

- 24.01 Audit Manager of the Financial Audit Department Tõnis Saar holds an information session for accountants of budgetary agencies at the Estonian Institute of Public Administration, problems associated with public sector accounting and typical accounting errors are analysed on the basis of observations made in the course of the SAO's financial audits.

February

- 06.02–08.02 Fon Linders from the Netherlands Court of Audit and Silvia van der Cammen and Herman Snelder from the MDF management consultancy company visit Estonia to analyse the interim results of the Netherlands programme and to make plans for the future. Auditor General Juhan Parts, Chief Auditors Kaie Karniol, Jüri Kõrge and Margus Kurm, Director Peeter Lätti and Heads of Services Airi Alakivi, Kadri Lehenurm and Aivo Vaske participate in discussions.
- 20.02 The international audit company PricewaterhouseCoopers trains the employees of the Department of Audit of Operational Risks and the Financial Audit Department in the field of regularity audit.
- 26.02 Director of the SAO Peeter Lätti and Head of the International Relations and Eurointegration Service Rein Söörd visit the State Audit Office of Finland to get acquainted with the organisation of support services and work conducted in this institution in relation to the European Union.

March

- 01.03–31.07 Advisor of the Methodology, Planning and Reporting Service Jüri Raatma works as an intern at the European Court of Auditors.
- 04.03–13.03 Chief Auditor of the Performance Audit Department Margus Kurm and Auditors Aalo Kukk, Eili Lepik and Andra Peel are in Hungary to attend the seminar on performance auditing held by the USA and Hungarian Supreme Audit Institutions.
- 07.03 Juhan Parts participates in the meeting of the Governing Board of EUROSAI in Copenhagen.

- 18.03–22.03 Mark Hendrix and Stan van Elten from the Netherlands Court of Audit advise the Department of Audit of Operational Risks and the Financial Audit Department (organisation of public procurements in the Ministry of Internal Affairs and institutions in its area of government, audit of the annual accounts of the Police Board for 2001).
- 21.03 Chief Auditor of the Department of Audit of Operational Risks Jüri Kõrge, Senior Auditor Vello Kuuse and Chief Auditor of the Performance Audit Department Margus Kurm participate in the health care conference held by the Estonian Public Administration Institute.
- 25.03–27.03 Head of the Methodology, Planning and Reporting Service Aivo Vaske visits Vilnius to attend the meeting of the Working Group on Audit Manuals established by the Heads of the Supreme Audit Institutions of the EU Candidate Countries and of the European Court of Auditors (hereinafter: “the Working Group on Audit Manuals”).
- 25.03–28.03 Jan van Dam and Fons Gloerich from the Netherlands Court of Audit consult the Performance Audit Department in connection with the audit titled “Employment of prisoners via Prison Industry Ltd.”
- 27.03 At the SAO a discussion is held on the course of the Netherlands programme, participants: Ambassador of the Kingdom of the Netherlands Joanna M. van Vliet, Babette Bouw from the SENTER agency, Fon Linders from the Netherlands Court of Audit, Mailis Pukonen from the Eurointegration Bureau of the State Chancellery and Silvia van der Cammen from MDF. The SAO is represented by Auditor General Juhan Parts and Director Peeter Lätti.

April

- 08.04–27.04 Audit Manager of the Financial Audit Department Tõnis Saar, Senior Auditor of the Department of Audit of Operational Risks Liisi Uder and Audit Manager of the Performance Audit Department Kristjan Paas participate in the INTOSAI Development Initiative seminar in Krakow.
- 10.04–13.04 Chief Auditor of the Performance Audit Department Margus Kurm and Auditor Krista Jansen visit Paris to attend the meeting of EUROSAI’s Working Group on Environmental Auditing.
- 15.04–19.04 The SAO is visited by a six-member delegation of the National Audit Office of China headed by Deputy Auditor

- General Mr. Wang Daocheng. Meetings with Deputy Chairman of the Parliament Peeter Kreitzberg, the parliamentary finance committee, the Estonian-Chinese parliamentary group and officials of the Ministry of Finance are held. In the City Government of Pärnu the delegation is acquainted with internal auditing of local governments.
- 18.04 Senior Auditor of the subsistence group of the Performance Audit Department Kaire Tamm and Auditor Heiki Randma participate in the conference titled “The Child, Education and Networking” held by the Estonian Union for Child Welfare.
- 23.04 Auditor General Juhan Parts introduces the SAO’s audit strategy to the government.
- 25.04 Juhan Parts, Chief Auditor of the Department of Audit of Operational Risks Jüri Kõrge and Head of the Methodology, Planning and Reporting Service Aivo Vaske visit the Northern Estonia Regional Hospital to get acquainted with current health care issues.
- 25.04–27.04 Head of the International Relations and Eurointegration Service Rein Söörd visits Malta to attend the meeting of liaison officers of the Supreme Audit Institutions of the Central and Eastern European Countries, Cyprus and Malta and the European Court of Auditors.
- 30.04 Senior Auditor of the entrepreneurship group of the Performance Audit Department Kairit Peterson participates in the European forum for entrepreneurs organised by the Estonian Chamber of Commerce and Industry in Pärnu.

May

- 10.05 Senior Auditor of the law and order group of the Performance Audit Department Dag Ainsoo presents the paper titled “National strategy for crime prevention until 2005” at the conference on crime prevention held by the Ministry of Internal Affairs and the Police Board.
- 13.05–14.05 Auditor General Juhan Parts visits Prague to meet the Auditors General of the countries invited to the EU accession negotiations in the first round. The preparations of the supreme audit institutions of the seven candidate countries (Cyprus, Malta, Slovenia, Hungary, Poland, the Czech Republic, Estonia) for accession to the EU are discussed.
- 16.05–17.05 Senior Auditor of the Department of Audit of Operational Risks Liisi Uder, Auditor of the Performance Audit Department Eili Lepik and Head of the Methodology, Planning and

- Reporting Service Aivo Vaske visit the seminar on the environmental audit performed by the European Court of Auditors and its further cooperation with the candidate countries held by TAIEX¹⁰ in Luxembourg.
- 27.05–31.05 Auditor General Juhan Parts, Chief Auditor of the Financial Audit Department Kaie Karniol, Head of the International Relations and Eurointegration Service Rein Söörd and Head of the Methodology, Planning and Reporting Service Aivo Vaske participate in the 5th EUROSAI congress in Moscow. Juhan Parts and Rein Söörd also attend the 25th meeting of the Governing Board of EUROSAI.
- 27.05–31.05 Representatives of the Netherlands Court of Audit Jan van Dam and Fons Gloerich visit the Performance Audit Department to discuss the audit titled “Employment of prisoners via Prison Industry Ltd.”
- 30.05 Senior Auditor of the entrepreneurship group of the Performance Audit Department Heli Jalakas and Auditor of the environmental group Andra Peel participate in the conference titled “Situation and Prospective Developments in Waste Treatment” held by the Ministry of the Environment, AS Keskkonnaehitus and AS Entec.

June

- 04.06–07.06 Experts of SIGMA¹¹ Rolf-Elm Larsen and Johannes Stenback-Madsen consult the Financial Audit Department on the State Treasury audit and conduct a training programme on the use of the IDEA program.
- 10.06–12.06 Chief Auditor of the Performance Audit Department Margus Kurm and Senior Auditor Kairit Peterson visit Oslo to attend the meeting of INTOSAI’s Working Group on Privatisation.
- 10.06–13.06 Mark Hendrix and Stan van Elten from the Netherlands Court of Audit visit the Financial Audit Department to discuss the audit of the Police Board for 2001 and methods for giving the opinion on the report on the implementation of the state budget. Along with the Department of Audit of Operational Risks, results of the audit titled “Organisation of public procurements in the Ministry of Internal Affairs and institutions in its area of government” are discussed.

¹⁰ TAIEX is a programme financed from the PHARE budget for all associated countries; the aim of the programme is to support the harmonisation of the legislation of these countries with EU legislation.

¹¹ SIGMA is a support programme of the Organisation of Economic Cooperation and Development (OECD) and the EU for the Central and Eastern European Countries.

At the same time, Silvia van der Cammen from MDF, Personnel Manager Airi Alakivi and Head of the Public Relations Service Kadri Lehenurm analyse training and communication.

- 24.06–26.06 Head of the Methodology, Planning and Reporting Service Aivo Vaske visits Sofia to attend the meeting of the Working Group on Audit Manuals.
- 25.06–28.06 Riet Niegten from MDF visits the SAO to discuss personnel training.

July

- 01.07–12.07 Audit Manager of the Financial Audit Department Tõnis Saar visits Oslo to attend the meeting of trainers organised by INTOSAI Development Initiative.
- 15.07–09.08 Tõnis Saar visits London to attend the training programme titled “Good governance and accountability” organised in the framework of the twinning programme of the Ministry of Finance.

August

- 26.08–30.08 Fons Gloerich and Jan van Dam visit the Performance Audit Department to discuss the audit titled “Employment of prisoners via Prison Industry Ltd.”

September

- 03.09–05.09 Chief Auditor of the Department of Audit of Operational Risks and Acting Auditor General Jüri Kõrge; Chief Auditor of the Financial Audit Department Kaie Karniol and Audit Manager Tõnis Saar; Director Peeter Lätti; Head of the Methodology, Planning and Reporting Service Aivo Vaske; Head of the International Relations and Eurointegration Service Rein Söörd; Senior Auditor of the Performance Audit Department Jane Etverk and Senior Auditor of the Department of Audit of Operational Risks Liisi Uder represent the SAO at the meeting of representatives of the supreme audit institutions of the Nordic and Baltic countries held in Riga.
- 09.09–20.09 INTOSAI Development Initiative organises an audit training programme for officials of the supreme audit institutions of the EU candidate states in Tallinn. Trainers include Audit Manager of the Financial Audit Department Tõnis Saar,

the trainees include Auditors of the Financial Audit Department Krista Uuna and Anneli Viirmann. Advisor of the International Relations and Eurointegration Service Karin Kuller works as a permanent officer of the secretariat.

- 11.09–02.10 Audit Manager of the Financial Audit Department Urmas Peterson visits London to attend the international audit course organised by the UK National Audit Office.
- 13.09 Head of the International Relations and Eurointegration Service Rein Söörd visits the Accounting Chamber of Ukraine in Kiev to participate in the presentation of the development project of Ukrainian public sector auditing to the leaders of the Ukrainian parliament, government, ministries and other state agencies. The project is financed by the EU TACIS programme¹², whereas the SAO participates in the programme with the German and Swedish Supreme Audit Institutions.
- 23.09–25.09 Senior Auditor of the Financial Audit Department Jüri Kurss visits Bratislava to attend the seminar on internal control system audits organised by the Working Group on Audit Manuals.
- 29.09–01.10 Chief Auditor of the Performance Audit Department Margus Kurm attends the meeting of EUROSAI's IT working group in Hague.

October

- 01.10 Senior Auditor of the Performance Audit Department Eva Lätti starts her internship at the European Court of Auditors. The training programme ends on 28.02.2003.
- 03.10 Acting Auditor General Jüri Kõrge; Chief Auditor of the Financial Audit Department Kaie Karniol; Audit Managers Tõnis Saar and Alo Lääne; Director Peeter Lätti; Head of the Methodology, Planning and Reporting Service Aivo Vaske, Head of the Accounting Service Ingrid Lepasild and Personnel Manager Airi Alakivi participate in the forum of public servants titled "Directions of development of the public service" held in Tartu.
- 03.10–04.10 Head of the International Relations and Eurointegration Service Rein Söörd visits Luxembourg to attend the meeting of liaison officers of the Supreme Audit Institutions of the EU States, Candidate Countries and the European Court of Auditors.

¹² TACIS is an EU technical assistance programme for thirteen transition states in Eastern and Central Asia.

- 07.10–10.10 Representatives of the Netherlands Court of Audit Stan van Elten and Mark Hendrix visit the Financial Audit Department and the Department of Audit of Operational Risks to discuss the pilot audits titled “Annual report for 2002 on the receipt and use of resources allocated for state pension insurance” and “Licences for the import and sale of fuel.”
- 07.10–11.10 Silvia van der Cammen from MDF visits the SAO to discuss training issues with Personnel Manager Airi Alakivi.
- 10.10–12.10 Deputy Chief Auditor of the Performance Audit Department Siiri Martverk presents a paper on the SAO’s performance auditing at the conference of the European Evaluation Society in Seville.
- 22.10 Head of the Public Relations Service Kadri Lehenurm, Information Officer Katrin Gottlob and Advisor of the International Relations and Eurointegration Service Katri Kadakas are acquainted with the administration of information concerning the EU at the State Audit Office of Finland.
- 22.10–24.10 Head of the Methodology, Planning and Reporting Service Aivo Vaske and Advisor Jüri Raatma visit Gdansk to attend the quality assurance seminar of the Working Group on Audit Manuals.
- 23.10 Acting Auditor General Jüri Kõrge presents the report titled “Overview on the use and preservation of state assets in 2001” to the Parliament.
- 25.10 Chief Auditor of the Financial Audit Department Kaie Karniol, Audit Manager Tõnis Saar, Auditor Krista Uuna and Head of the International Relations and Eurointegration Service Rein Söörd introduce the organisation of external auditing in Estonia to the Finnish financial control experts participating in the partnership programme of the Ministry of Finance.
- 28.10–01.11 Auditor of the Financial Audit Department Krista Uuna and Junior Auditor Kadri-Liis Loigu audit the Estonian Embassy in London.
- 29.10–30.10 Expert of SIGMA Rolf Elm-Larsen from the State Audit Office of Denmark consults the auditors of the Financial Audit Department with respect to the audit of the State Treasury.
- 31.10–01.11 Auditor of the subsistence group of the Performance Audit Department Heiki Randma participates in the second Estonian youth work forum titled “Time to Act” organised by the Ministry of Education and the Estonian Youth Work Centre.

November

- 05.11–06.11 Auditor of the Department of Audit of Operational Risks Saima Strenze and Advisor of the Methodology, Planning and Reporting Service Jüri Raatma visit Vilnius to participate in the seminar on the role of financial control in combating corruption.
- 06.11.07.11 Senior Auditor of the environmental group of the Performance Audit Department Maimu Mölderson participates in the conference held in the framework of the project titled “Environmental management in the Estonian chemicals industry” by the consultancy company Christiansen Consulting.
- 11.11–14.11 Audit Manager of the Financial Audit Department Tõnis Saar visits Zagreb to participate in the seminar on strategic planning of the IDI/EUROSAI long-term training programme.
- 11.11–15.11 Senior Auditor of the Financial Audit Department Jüri Kurss and Junior Auditor Marek Suurniit audit the Estonian Embassy in Berlin.
- 13.11 The subsistence group of the Performance Audit Department (Kristjan Paas, Heiki Randma and Kaire Tamm) visits Southern Estonia to meet Võru County Governor Mait Klaassen, leaders of the Varstu Rural Municipality and representatives of the juvenile police, the Employment Office, schools and the orphanage.
- 18.11–21.11 Senior Auditor of the environmental group of the Performance Audit Department Krista Jansen and Auditor Andra Peel participate in the international oil shale symposium held by the Oil Shale Institute of the Tallinn Technical University.
- 21.11–22.11 Management experts from the Netherlands Willemien van Otterlo and Jan Renger along with Silvia van der Cammen and Riet Nigten from MDF, working in the framework of the Netherlands programme, carry out a management training programme for the management, heads of services and audit managers of the SAO.
- 22.11 Head of the Methodology, Planning and Reporting Service Aivo Vaske visits Paris to participate in the technical preparation of materials of the Working Group on Audit Manuals.
- 22.11–23.11 The subsistence group of the Performance Audit Department (Kristjan Paas, Heiki Randma and Kaire Tamm) and spokesman of the SAO Sven Soiver participate in the 3rd Estonian Annual Conference of Social Sciences held by the Tallinn Pedagogical University and the Tallinn Technical University.

- 23.11 Senior Auditor of the subsistence group of the Performance Audit Department Kaire Tamm participates in the international conference titled “The Problems of Our Children” organised by the Estonian Union for Child Welfare.
- 25.11–27.11 Acting Auditor General Jüri Kõrge and Head of the International Relations and Eurointegration Service Rein Söörd visit Luxembourg to attend the meeting of the Heads of the Supreme Audit Institutions of the EU Member States, Candidate Countries and of the European Court of Auditors. They also participate in the events to celebrate the 25th anniversary of the European Court of Auditors.
- 25.11–29.11 Senior Auditor of the Financial Audit Department Õie Soovik and Auditor Merike Starovoitov audit the Estonian Embassy in Kiev.
- 26.11 Audit Manager of the Financial Audit Department Tõnis Saar, Senior Auditor of the Performance Audit Department Eva Lätti and Head of the Methodology, Planning and Reporting Service Aivo Vaske visit Brussels to participate in the conference on single audit titled “Verstehen 2002” organised by the European Commission.
- 27.11 The SAO is visited by representatives of the OLAF, anti-corruption unit of the European Commission, Harrie van Boxmeer and Prof. Petrus C. van Duyne.
- 28.11–29.11 The Financial Audit Department is visited by expert of SIGMA Rolf Elm-Larsen in connection with the completion of the pilot audit of the State Treasury.
- 29.11 Auditor of the subsistence group of the Performance Audit Department Heiki Randma participates in the conference titled “Integration of General and Vocational Education in the Context of Lifelong Learning” at the Põltsamaa School of Household and Agricultural Work.

December

- 12.12–14.12 Acting Auditor General Jüri Kõrge and Head of the International Relations and Eurointegration Service Rein Söörd visit Bucharest to attend the meeting of the Heads of the Supreme Audit Institutions of the EU Candidate Countries and the European Court of Auditors.



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