



RIIGIKONTROLL

Annual Report 2001



The task of the state is to create value for its citizens, using the money given to it by them.

This presumes sufficient and clear reporting, measures to prevent abuse and improper use of money and orientation to performance.

The State Audit Office is willing to help to create value by contributing its expertise and recommendations.

Contents

Address of Auditor General	4
1. Role and tasks of the State Audit Office	6
2. Organisation and management	7
Structure of the SAO	7
Distribution of personnel across departments	7
Education, age and length of service of employees	8
Management	8
3. Overview of the activity of the State Audit Office	9
3.1. Audits	9
3.2. Other principal activities	11
3.3. Development activities	12
4. Year 2001 through our eyes	13
Towards a businesslike friendship	14
The influence of the European Union on the Estonian audit environment	16
The law is no panacea	18
Measuring kroons for culture	20
The Ministry of Finance – the Parliament’s loan committee	22
Who tricks whom in the fairy tale about Sly Ants and the Devil?	24
Atom Kid and Cyberbear	26
Risky subsidies	28
What counts is not what you say, but how you are understood	30
Work time can and must be managed	32

5. Financing of the activity of the State Audit Office in 2001	35
5.1 Budget	35
5.2 The use of funds allocated from the state budget	35
5.3 Investments	36
5.4 Personnel expenses	36
5.5 Balance sheet	38
5.6 Statement of revenues and expenditures	40
6. Auditor's report	41
Annexes	43
Employees of the State Audit Office in year 2001	45
List of audits carried out in year 2001	46
Chronology 2001	50



Address of Auditor General

Dear Reader,

In front of you is the Annual Report of the State Audit Office for year 2001.

This time we decided to structure this report slightly differently from our previous reports. Beside the traditional coverage of our results, expenditure and financial situation, we have given the floor to our employees, so that their opinions might reveal our vision of the past year in the state and the State Audit Office (SAO). Our intent has been to show what we expect of the auditees and ourselves and of which it could be said “This is the way to do things!”

In the past year we proceeded with the implementation of the strategy of three pillars of auditing, started in year 2000. For the third time we submitted to the Parliament our opinion on the report on implementation of the state budget. Particular attention was paid to the risks of abuse and improper use connected with state subsidies and benefits, public procurements and activity licences. On the basis of performance audits commenced in year 2000 we presented to the Parliament a survey of the situation of financial management, budgeting, administrative reform and privatisation in the state, supplementing this overview with our recommendations. The performance audits also embarked on the investigation of such new strategic areas as the activity of the state in ensuring the health, security and subsistence of the population and in the development of business environment at large.

Work with the draft State Audit Office Act continued. The new State Audit Office Act was adopted by the Parliament on January 29, 2002. This act opens the role of the SAO as the auditor of the Parliament at a new level and specifies our authority to conduct financial and performance audits, it also makes it possible to audit the end users of the European Union funds.

We also continued our international cooperation. The governments of Estonia and the Netherlands have decided to extend the two-year project of cooperation between the SAO and the Netherlands Court of Audit, the aim of which is the enhancement of our auditing competence and the development of the support systems. Jointly with the European Court of Auditors we audited the use of PHARE and ISPA environmental funds in the Republic of Estonia. As a result of cooperation between the states of the Baltic Sea, a joint report on the protection of the marine environment and the implementation of the Helsinki Convention was completed. For the world congress of supreme audit institutions we summarised our experience with the administrative reform. In cooperation with the Central and Eastern Europe Countries a report on parliamentary control was prepared and coordinated efforts for the harmonisation of manuals have been started. Together with our colleagues from the Baltic and Nordic countries a seminar on the shaping of a strategy for a modern supreme audit institution was organised.

Our most valuable asset is the people. To manage this asset prudently, we have launched a system for detailed accounting of work time and for the conclusion of work agreements, we have also adopted a competence-based model of personnel management. In a couple of past years we have invested much time and money in training. I am convinced that these investments have only started to pay back. Our competitive recruitment continues to enjoy great popularity and this gives us an opportunity to choose between good and very good applicants. I believe that this says something about the SAO as an employer.

In sum, I am happy that the strategy adopted by us has justified itself, receiving support also from the legislator. We will pursue our chosen course and continue to be committed to our mission by conducting audits which help the Parliament and the auditees to put their money to better uses.

Juhan Parts
Auditor General





RIIGIKONTROLL

The mission of the SAO is, in the course of economic control, to assess the performance (economy, efficiency, effectiveness) of the agencies of public administration and legitimacy of their operations in order to make it possible for the Parliament and the Government to improve the performance of the state on the basis of the recommendations and conclusions made. Through its activities the SAO must provide to the taxpayers assurance concerning the prudent use of state assets.

1. Role and tasks of the State Audit Office

The State Audit Office (SAO) is a constitutional institution whose task is to audit the use of resources and activities in the public sector. The main duty of the SAO is to provide feedback to the Parliament on whether the public funds have been used and the tasks have been fulfilled in accordance with the law and efficiently.

In addition to the Constitution, the SAO is in its work guided by the State Audit Office Act.

The SAO is headed by the Auditor General appointed by the *Riigikogu* (Parliament) upon the proposal of the President of the Republic for five years.

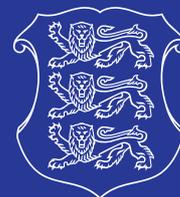
In its activities the SAO is independent of the executive power and political interests and plans and organises its work independently. Therefore, as an external auditor of the Government, it can remain impartial in its assessments and base them only on the principles of economy.

The external audits of the agencies of public administration conducted by the SAO is based on the following three pillars:

- In financial audits it is checked, whether the resources of the public sector have been used in accordance with the law and other applicable legislation and whether the organisation of the accounting of the state and the individual agencies is accurate and truly reflects their financial situation.
- Performance audits establish whether the resources of the public sector have been used economically, efficiently and effectively.
- Audits of operational risks aim to provide an in-depth and preventively oriented analysis of systems, the faults of which make possible the occurrence of abuse, improper use, corruption and fraud.

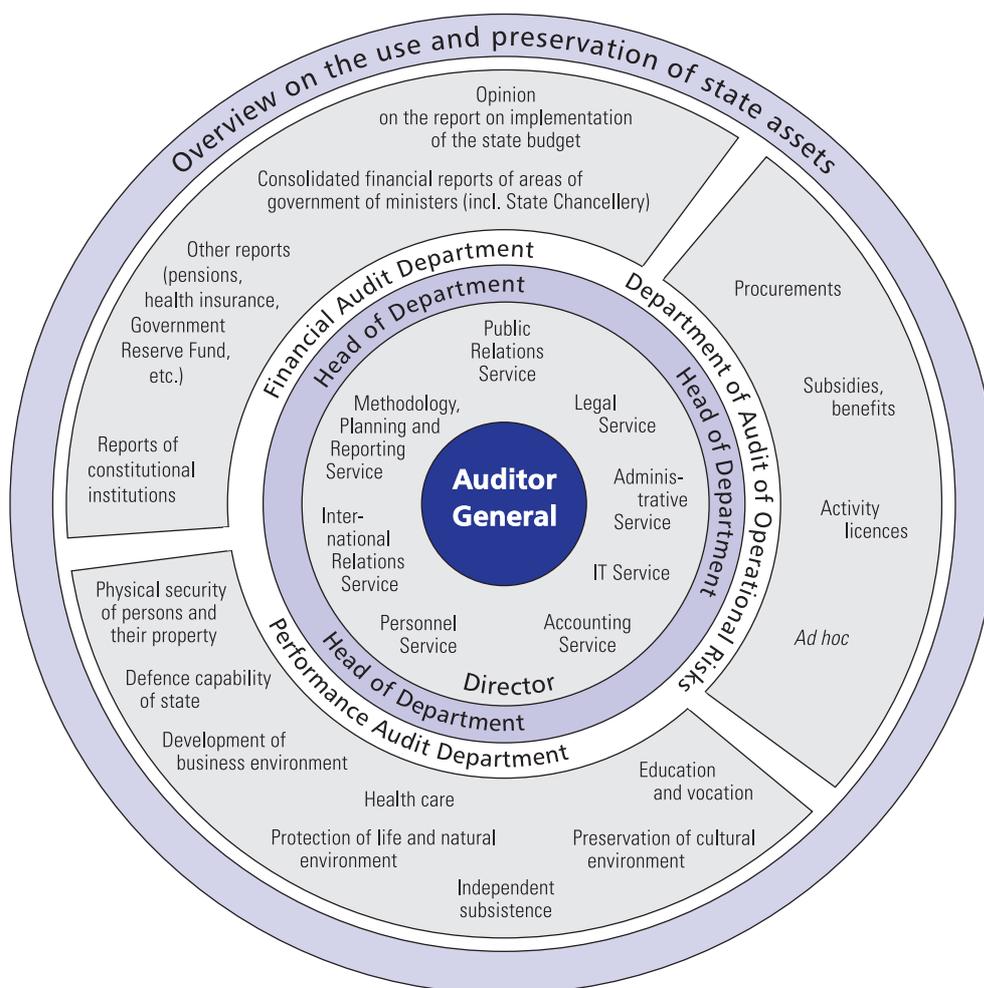
The SAO is audited by an auditor appointed by the Parliament. As in many previous years, the Parliament appointed PricewaterhouseCoopers to audit the annual accounting report of the SAO for year 2001.

The auditor's opinion is presented in Chapter 6.



2. Organisation and management

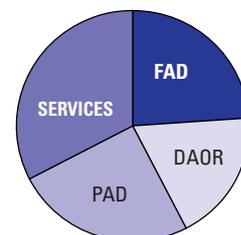
Structure of the SAO



Distribution of personnel across departments

In 2001 the SAO employed 90 people on average. As of December 31, 2001 the SAO employed 92 people who were divided across the structural units as follows:

- Financial Audit Department (FAD): 22;
- Department of Audit of Operational Risks (DAOR): 17;
- Performance Audit Department (PAD): 23;
- services, incl. Auditor General, Director and their support: 30.



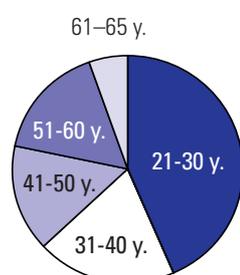
Education, age and length of service of employees

Of the 92 employees who worked in the SAO as of December 31, 79 or 86% had higher education, incl. 3 employees with a master's degree, 11 students in a master's programme and 2 in a doctorate programme.

13 employees or 14% had secondary or vocational secondary education.

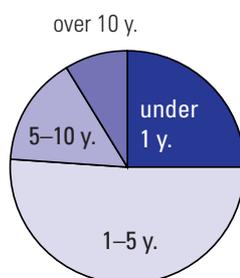
7 employees were acquiring higher education.

The average age of employees as of December 31 was 36 years. By age groups the employees were distributed as follows:



■	21-30 years: 40;
□	31-40 years: 18;
■	41-50 years: 14;
■	51-60 years: 15;
■	61-65 years: 5.

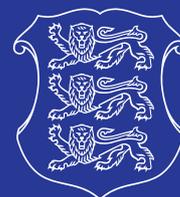
As of December 31 the average length of service of the employees in the SAO was 3.4 years. Across the length of service the employees were distributed as follows:



■	under 1 year: 23;
■	1-5 years: 47;
■	5-10 years: 14;
■	over 10 years: 8.

Management

At the end of January Kaie Karniol was appointed Head of the Financial Audit Department. At the end of November Jüri Kõrge became Head of the Department of Audit of Operational Risks. At the end of the year Raivo Linnas resigned from the post of Head of the Performance Audit Department and as of January 2002 the Performance Audit Department is headed by Margus Kurm. From the beginning of last October Peeter Lätti is Director of the SAO.



3. Overview of the activity of the State Audit Office

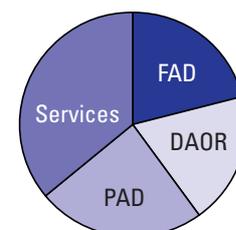
3.1. Audits

In order to plan the activities of the SAO for year 2001, the Auditor General concluded work agreements with all audit departments and support services. For the first time we based the planning of our work on the accounting of work hours, applying a project- and activity-based accounting of work time together with a system of monthly reporting.

In 2001 the SAO had at its disposal 149 164 work hours (without the work time of the Auditor General), of which 53 540 work hours* were spent directly on audit projects and the preparation of the overview on the use and preservation of state assets.

The distribution of work hours between audit departments and support services:

FAD	DAOR	PAD	Services
31 468	28 080	35 624	53 992
21%	19%	24%	36%
■	■	■	■



The SAO works on the basis of an annual plan, but the audits need not begin and end in the same year. In 2001 over a hundred audits were under way, of which 56 were completed. A complete list of completed audits is presented in Annexes.

Strategic aims and audit areas

Financial audits

The direct aim of the financial audits is to give an opinion on the report on implementation of the state budget submitted to the Parliament by the Government of the Republic. In order to perform this task we audited the financial statements of all ministries, the Stabilisation Reserve and a significant part of tax revenue and health and social insurance funds. We also conducted additional procedures to assess the different parts of the report on implementation of the state budget. In the course of our financial audits we focused attention primarily on the accuracy of accrual-based accounting for assets, liabilities, revenues and costs and on the efficiency of the relevant control systems. On some occasions we assessed the regularity and purposefulness of revenues and costs and also financial management.

* This figure does not include the work time spent on the preparation of audits. As many audits completed in 2001 started in the period when project-based time accounting was not used, it is not yet possible to indicate the total volume of work time spent on audits completed in 2001.

In 2001 we completed 21 financial audits and gave our opinion concerning the report on implementation of the state budget for year 2000. As the SAO must submit its opinion to the Parliament by September 1, the audit year of the Financial Audit Department actually ended in August and in September we started new audits necessary for giving an opinion on the report on implementation of the state budget for year 2001.

Audits of operational risks

The aim of the audits of operational risks is to help the auditees to improve the control systems in the fields with higher risks of abuse and improper use. All audits involve sample-based assessment of regularity of specific decisions and transactions and testing of the control systems established by the management.

In the opinion of the SAO the high-risk areas include primarily the payment of subsidies and benefits, public procurements, issuance and supervision of activity licences. In 2001 we focused on the auditing of subsidies and benefits* payable from the state budget. In addition to subsidies, we started the auditing of public activity licences and public procurements in the second half of the year.

Urgent issues are analysed by the SAO in the course of *ad hoc* audits. The objective of such audits is to identify possible irregular decisions or transactions and, if necessary, to present materials to the police or other competent agencies.

In 2001 we completed 19 audits of operational risks, of which 10 dealt with the payment of subsidies and benefits. In the overview on the use and preservation of state assets submitted to the Parliament, we delineated our central observations concerning the management of risks of abuse and improper use by the Government.

Performance audits

The aim of the performance audits is to provide to the Parliament feedback on the economy, efficiency and effectiveness of the policies implemented by the Government and on the adequacy of the management systems used, also to make proposals concerning better use of budget resources and improvement of management systems.

* The SAO regards as subsidies and benefits all payments made by the state to legal and natural persons for which the state receives no services, or which are meant for supporting a certain activity on the conditions stipulated in the legislation on which such support is based.

In 2001 our performance audits investigated different topics and fields. In the first half of the year we completed several audits used to assess the planning and budgeting in the management of policies, investments and personnel. Another field on the auditing of which we spent significant resources in 2001 was the privatisation of the power plants and the railway. The third important field was the assessment of the activities of the state concerning information policies. In cooperation with the European Court of Auditors, which is the supreme audit institution of the European Union, we conducted the audit of PHARE and ISPA environmental funds.

All in all, we completed 17 performance audits in 2001, the main observations and proposals of which were generalised in the overview on the use and preservation of state assets submitted to the Parliament.

In the end of the year we started the elaboration and implementation of a new performance audit strategy. According to the strategy, we will concentrate on the activity of the state in ensuring the health, security and subsistence of the population and in developing of the business environment.

3.2 Other principal activities

In addition to its direct audit activities, the SAO comments on draft legislation, participates in various working groups and provides consultancy to public sector officials on management, accounting, audit and establishment of control systems. The Auditor General answers to the inquiries of members of the Parliament.

In year 2001 other principal activities encompassed 1630 hours. We submitted thorough opinions on the draft Government of the Republic Act and Public Service Act. In addition the Auditor General commented on draft legislation at government meetings.

The Auditor General answered to the following inquiries of members of the Parliament:

- on subsistence benefits (Kalev Kotkas);
- on the Traffic Insurance Fund (Jaanus Männik and Mai Treial);
- on the Health Insurance Fund (Jaanus Männik);
- on the privatisation of Estonian Rail (Edgar Savisaar).

Employees of the SAO gave lectures to internal auditors, accountants and other officials and provided consultations on management, internal control, accounting and auditing.

In 2001 employees of the SAO participated in the following domestic working groups and other bodies:

- Committee of administrative reform;
- Working group of re-organisation of the state's accounting system;
- Expert and supervisory committee of IT budget;
- Election Board of the Republic;
- Supervisory Board of the Privatisation Agency;
- Interministerial committee of definition and harmonisation of governmental administrative policy in the field of activity licences;
- Professional Committee of Auditors.

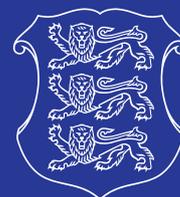
The SAO is a member of international working groups, participating in the INTOSAI* working groups of privatisation and environmental audits and the working groups of audit issues and audit manuals established by the leaders of the supreme audit institutions of the EU candidate states and the European Court of Auditors.

3.3 Development activities

The development activities of the SAO in 2001 proceeded from the strategic plan of the SAO for years 2000–2003. We invested 5000 work hours in development activities. The main development activities included:

- specification of audit processes and preparation of work instructions;
- development of a competence-based personnel development system;
- implementation of an activity- and project-based work time accounting system;
- launching of a new external web;
- improvement of the internal web;
- creation of a web-based records management system;
- definition of an information security policy.

* International Organisation of Supreme Audit Institutions



4. Year 2001 through our eyes

This chapter includes contributions where the topical and focal issues of the past year have been treated from the personal points of view of the employees of the SAO. As many of the texts have not been inspired by a specific audit or event and provide a broader analysis of more general problems in public administration, many of the ideas and solutions presented are bolder than those proposed by the SAO in the framework of its audits.

Towards a businesslike friendship

“Every audit starts with two lies: the auditor’s claim that we have come to help you and the auditee’s answer that we have long been waiting for you and are very pleased.” The refutation of this widespread idea is one of the premises for a successful relationship between the auditor and the auditee.

During one audit the parties may repeatedly swap their roles. At one moment the auditor may be a tough inspector and at another a friendly advisor. The auditee may embark on cooperation, at the same time not making a secret of his/her dislike caused by external interest in his work.

These considerations would make no sense, if this relationship did not have a crucial importance for the success of the audit. Work in an environment of immutable hostility may develop the auditor’s personality, make him a lot cleverer and train his analytical capabilities, but naturally a constant negative ambience cannot be pleasant to anyone. We may be quite sure that the auditee is also willing to find solutions to the problems of the field and thus ready to weigh the auditor’s ideas and proposals to remedy the situation.

It is definitely important to keep the cooperation constructive. The parties find it neither pleasant nor useful, when the treatment of painful issues is interpreted as a personal insult. A certain distance and consciousness of one’s role is a necessary and inevitable condition for a successful audit.

Now, how should such a network of relationships with several participants and possible roles be managed expediently? One of the solid aims and development directions of the SAO is constant raising of awareness about the role of an external auditor. Today an auditor far removed from the realities of life will achieve nothing. We aim to present ourselves as good partners and analysts who provide reasonable advice. Relations with the audited institution must be based on communication and conscientious information exchange.

The history of our auditing practice contains examples of both businesslike and non-existent friendship. Generalising the different cases and experiences, three main factors guaranteeing businesslike and pleasant cooperation in the framework of an audit might be mentioned. Our primary expectations with respect to the auditee are:

- Interest in the audit process – it is fairly useless to conduct an audit in a situation where the auditee has not thoroughly reviewed the planning, documentation or actively participated in the introduction of the audit.
- Businesslike feedback to the documents presented during the audit – as a rule the auditors are interested in a maximum factual accuracy of their report and fairness of their assessments. In order to achieve this, it is inevitable that the auditee makes a real contribution at the stage of coordination of documents.
- The interest and readiness of the auditee to realise the proposals of the SAO – it is clear that the auditor may not be satisfied with the process, where the proposals made receive no attention.

As any communication, the present relationship has two parties and therefore it is inevitable to mention the goals set by the SAO with regard to its contribution:

- Explanation of the topic and focus of the audit – the interest of the SAO in the specific institution, area or topic may often seem very unexpected. Our clear intent is better to inform the auditee of the constant monitoring activity conducted by the SAO and our principles of preparation of work plans.
- Constant feedback and corrections in the course of the audit process – the auditors must give an opportunity to study the minutes of the meetings and submit the draft reports preceding the opinion of the auditees.
- Better explanation of the proposals – the auditee must obtain a clear understanding of why certain proposals have been made and what are the goals that the SAO hopes to achieve as a result of the implementation of the proposals.

It is an intent of the SAO that all contacts with the auditee would be business-like and pleasant. We are conscious of the fact that the principal means for the definition of policies cannot be a specific paper or report and that the process must be supported by reasonable cooperation in a friendly environment, i.e. by movement towards a businesslike friendship.

Erki Must

Erki Must (22) is an Auditor of the Performance Audit Department and works in the SAO since September 2000. In the audits he has dealt with the organisation and planning of public administration and social issues. His master's thesis on public administration written at the Tallinn Pedagogical University concentrates on the conflicts of values in the development of public administration. Erki Must has conducted several trainings on public administration.



The influence of the European Union on the Estonian audit environment

Estonian legislators and government institutions have made fruitful efforts to bring our legislation into harmony with the law of the European Union.

Beside the legislative process itself and the quality of public service, one of the factors that determines administrative capability and covers numerous areas of the public sector is the condition of the system of financial management and control. Proceeding from this viewpoint, can we say that Estonia is ready for accession? Have we made preparations to ensure regular, efficient and controllable use of the EU currency? How could the SAO help to build such readiness?

As the SAO is obviously unable to control the legality and purposefulness of the millions of transactions of the public sector, we are vitally interested in the creation of reliable internal control systems in this sector. Efficient internal audit can provide assurance that the executive branch has created and efficiently implemented the management and control systems to prevent improper use and wasting of resources. Therefore the SAO makes every effort to provide to internal auditors relevant methodological assistance and recommendations with respect to increasing the efficiency of internal audits, as well as to cooperate with them in the fields of training, information exchange and other areas.

Although, during the past few years, the respective legal basis has been created in Estonia, internal audit units of government institutions have been set up and systematic training of internal auditors has been started, the general assessment of the European Union to internal control and audit of the public sector has not been too positive.

Despite the fact that according to expert evaluation the development of independent external audit has been considerable, there is ample room for improvement also in this field.

In several years the European Union has criticised Estonia for a lack of a clear procedure and mechanism for the handling of the audit reports of the SAO in the Parliament and the Government, which decreases their practical impact.

The processing mechanism of the audit results of the SAO should ensure that the Parliament receives the dissenting opinions of the SAO and the persons responsible with regard to the more important proposals of the SAO, and the assessments of the SAO with regard to the activity of the persons responsible. The respective parliamentary committee is then able to formulate its position to which the Government of the Republic must publicly react.

In closing the chapter of financial control, it was found to be necessary to enhance parliamentary control, develop cooperation between the audit structures of different levels and increase the authority of the SAO in auditing the final users of the resources of the public sector.

A step in this direction was taken with the new State Audit Office Act. A premise for the effectiveness of our activity is a good and businesslike relationship with the Finance Committee of the Parliament, based on specific

provisions of the law. In the course of its audits, the SAO acquires and forwards to the Parliament important information on the expenditure of the resources of the public sector, implementation of legislation and operation of the state. We presume that the deputies understand that it is vital to put this information to greater use when assessing the implementation of legislative acts and for the preparation of new laws.

It is beyond doubt that the implementation of the positions expressed at the meeting between the Auditors General of the candidate states and the leaders of the European Court of Auditors held last November, concerning the development of the relations of the SAO with the Parliament, would raise our performance to a new level. A sufficient degree of attention paid by the Parliament to audit results would help to achieve the solution of the problems detected by the audits and to ensure that the observations and recommendations would be treated by the executive branch with necessary care. Among other considerations, it was found to be necessary to present to the Parliament, together with the audit observations, comparisons from the international practice of public sector management, in particular examples from the European Union, in order to enable the Parliament to use the experience of other states to eliminate the deficiencies detected domestically. The SAO has a relatively sound picture of such circumstances.

I wish to emphasise that the aim of the implementation of the EU requirements and good practices of financial control is not only to demonstrate our readiness to ensure purposeful, regular and efficient use of resources arriving from the European Union. Reversing the provision of the European agreement on fighting fraud damaging the financial interests of the union, against which the member states must take the same measures as used against fraud damaging their own financial interests, legal, economical and effective use of the money of Estonian taxpayers must be ensured with no lesser efficiency than it is done in the case of the money of the European Union. Adherence to the standards of the European Union helps us to achieve this.

Rein Söörd

Rein Söörd (58) works in the SAO since April 1991. At present he is Advisor to the Auditor General and Acting Head of the International Relations and Eurointegration Service, previously has performed the duties of the Head of the Legal Service. The tasks of Rein Söörd as the leader of the international relations service include the coordination of the SAO's cooperation with foreign experts and the supreme audit institutions of other countries. Re-founder and member of the Estonian Academic Law Society.



The law is no panacea

As we all read in the papers and see on the TV, Estonia is confidently striding towards the European Union. In order to get our toe in the door, we have to demonstrate our ability to implement the aims, requirements and desires of the European Union. Looking at the Government's action plan for accession to the union, it can be seen that it includes only a list of envisaged legislative acts. And the situation has been like that for a couple of past years. What does it entail?

It has already led to a situation where the compilation of legislative acts has become the main political instrument. Thus an attempt to solve all problems that have surfaced through recourse to the law. At the same time, when a law is passed, there is no certainty that it will be implemented – certain obligations are imposed, but there is no money, time or wisdom. We also cannot be sure that a law can develop or improve anything. Vice versa, it may complicate the situation.

Examples can be found in our recent past. Because of an amendment of the Value Added Tax Act, large numbers of quick-fingered fishery workers had to spend some time at home. Similarly several nice initiatives, such as the programmes of civic defence and introduction of the Internet in public libraries, have petered out. There simply has been no money provided for the implementation.

How come that new legislation has such surprising consequences? Because the analysis of the presumed influences is insufficient. The analysis is insufficient because of the large number of legislative acts; employment of many new officials, who as yet lack knowledge about their field; failure to ask for opinion of specialists; great influence of lobby-groups, etc. However, prior definition of political, economic, social and environmental impacts is of utmost importance. This helps both the Government of the Republic and the Parliament to make decisions.

We might also ask, if anyone knows how much time and money would be needed to implement all the requirements set forth in various legislative acts. In fact such analysis should be made during the preparation of the state budget, as the Parliament cannot amend the expenditure resulting from the law. But someone must demonstrate such expenditure by separate articles and sum it up. At present the Ministry of Finance subsumes under such expenditure only the costs quoted in the legislation numerically: pensions, subsistence benefits,

allocations to the health insurance fund. As for the other obligations, the options “to be implemented on account of internal resources”, “to be postponed to the next year”, “to be realised at lower cost or involving less people” apply.

Returning to the topic of accession to the European Union, I would underscore that the European Union does not only expect a large number of legislative acts. It primarily expects the implementation of such acts without negative impacts on the society. The solution is an analysis of impacts that should be integrated in the procedure of preparation of legislation. Maybe then we would be able to avoid further “accidents at work”.

Eva Lätti

Eva Lätti (28) started work in the SAO in April 1999 and is presently an Audit Manager of the Performance Audit Department. Her audits have mainly focused on the issues of public administration (administrative reform, state budget and performance-based management) and on environmental and employment problems. Eva Lätti participates in the twinning programme of Estonian and Irish Ministries of Finance, the aim of which is to create an efficient and reliable internal control and internal audit system in the public sector. Eva Lätti has given lectures to internal auditors and is one of the internal trainers of the SAO.



Measuring kroons for culture

Annually the Government of Estonia allocates over one billion kroons to culture, which is more than 5% of all the expenditure in the state budget. It is difficult to say whether it is too much or too little, because no-one has defined the desired result. Probably no-one doubts that Estonian culture needs state support, but before the money is allocated, it should be determined what we expect for it and whether state support is the optimum way to get the service. In the opposite case we as if shovel resources into a black hole and no-one knows what we have got in return, except the feeling that Estonian culture is alive and breathing.

A similar situation has been identified in other countries and this has initiated a search for new ways for the state to participate in the promotion of cultural activities. Through the last two decades interest in a new treatment of culture has grown world-over, according to which economic theories and analysis are applied to the issues of art and culture. Professor David Thorbsy from Australia has said that economic thinking helps to understand cultural development and if economy makes it possible to assess values in measurable units, this approach should be used in the field of culture. Of course, it is more difficult to measure results in the sphere of culture, but an analogy with other areas can still be drawn. In the making of decisions in social and education policy, before resources are asked for and allocated, it must be known what and when is expected for it and how the results are going to be measured. Similarly, in the case of decisions in cultural policy definite aims must be determined before money is applied for and criteria for the evaluation of results are to be set.

In all Estonian documents on cultural policy elaborated to date, the word “money” and even mildly radical approaches to the financing of culture have been taboo. Only general and old-fashioned slogans à la “provision of continued state support to dramatic arts”, “continuation of state support to culture journalism”, “cultural workers must receive adequate remuneration”, etc. have been circulated. In none of its action or development plans the Ministry of Culture has specifically determined the volumes or organisation of financing and thus a quite natural question arises, whether such continuing state support is economically justifiable.

In the budget of the Ministry of Culture for 2002 nearly 25% is allocated to project supports, 15% to investments and the rest of the money, which is over 600 million kroons, is going to be spent on sustaining the cultural institutions, most of which originate from the Soviet time. For instance, the number of state-owned theatres has not changed, but audiences have dwindled by nearly a half and at the same time a dozen of new small theatres offering the same services have emerged. No-one has made a thorough analysis to find out whether such a network of cultural institutions is necessary for the provision of high-quality cultural services and what might be the role of the private and the third sector in the development of culture. The state should not aim to finance its institutions for the sole reason that it has always been like that. Rather it should ensure the availability and high quality of cultural services necessary for the population.

In 2001 the SAO audited the planning and financing of theatre policy in the Ministry of Culture. Since 1991 the amounts allocated to theatres have continued to grow, reaching 180 million kroons by 2001. In 2000 the state subsidised every visitor of theatres with 131 kroons on average. In the case of the Vanemuine Theatre, the state subsidy per visitor in 2000 exceeded 300 kroons, making it possible to retain in the repertoire an opera, the ten performances of which in a season were attended by 73 visitors per performance on average.

It is positive that the Ministry of Culture has realised the need to reorganise the financing of theatres and started to make it more result-oriented, paying greater attention to the number of visitors. In the financing of theatres the Ministry of Culture has also attempted to take into account children's performances and the needs of rural population.

Although the first steps in the linking of the financing of theatres with results have been made and, at least on paper, the financing is focused on the visitor, the new system has not yet really been launched and financing is still conducted on the basis of the established budget proportions and happens independently of the success or failure of theatres to attract audiences. The SAO recommended to the Ministry of Culture to establish a clear financing scheme and adhere to it, so as to ensure reliability and transparency of financing.

In the financing of culture as a whole, the Ministry of Culture and the Parliament should devote greater attention to what are the actual goals and start measuring the results also using economic categories. It should be thoroughly considered, whether the price that we pay for one visit to theatre is grounded and whether it would not be more beneficial to support other cultural initiatives with the same amount. There is no point in directing funds to the retention of the existing cultural network and attention should be paid to innovation in the organisation of cultural matters.

Kaire Tamm

Kaire Tamm (25) is an Auditor of the Performance Audit Department and works in the SAO since August 2000. She has participated in audits on the management of investments in culture and education, vocational education, compulsory education and theatre politics.



The Ministry of Finance – the Parliament's loan committee

The state of Estonia is a large real estate owner and as every owner, it needs to take care for the preservation and modernisation of its assets. Thus, in the past few years, nearly 1.5 billion kroons annually have been allocated from the state budget for investments. In the state budget of 2002 the proportion of investments, excluding pension and health insurance costs, is 8.7%. At the same time the need for investments exceeds the real possibilities by several times. For instance, the need of the Ministry of Culture for state budget investments, as stated in the investment plan for 2001–2004, is over 2.5 billion kroons, the respective figure for the Ministry of Education exceeds 1 billion kroons. The state faces difficult decisions as to how much and to whom should be allocated.

A private businessman, who wants to use a bank loan for investing in real estate, must run the gauntlet of proving the value of his business plan. He must convince the loan committee of the bank in the reliability of his project, his ability to use the money purposefully and his capability to return it. Before making the loan decision, the bank's loan committee meticulously weighs all possible risks and only the most reliable projects will succeed. As the lender is also responsible for the results of the project, it monitors its course carefully and permanently.

One might think that the public sector behaves in the same way, as we are talking of very large sums of money. However, the actual situation is quite different. In 2000–2001 the SAO audited the planning of state investments in three ministries – Education, Culture and Defence. The results showed that it was much easier to obtain investments from the state budget than to apply for a bank loan. It seems that our common pocket can be used to finance sundry projects, which in no way help to achieve the long-term goals.

The audits of the SAO demonstrated that regretfully frequently it was possible to obtain an investment simply after presenting the need for funds for the planned year, the approximate need for funds for two subsequent years and the initial cost of the project. In many approved investment project applications not even the expected results were mentioned, let alone the linkage with the strategic development plans of the area or region. It was also not clear how the management of the investment project was arranged and what were the deadlines.

As investment applications are very concise and their submission entails no responsibility for the applicant or the allocating institutions, it is natural that all institutions try their luck and submit applications. Every year investment limits are set for ministries, whereby a specific amount of money is obtained in any case. Consequently, irrespective of the quality of the projects, investments are in fact already granted before any grounds for their necessity need be given. Therefore shortlists of investments are compiled without actually considering the real nature of the projects. This makes it possible to invest in school houses for which there are no students or army units that are not connected with the future prospects of the defence forces.

Who, after all, is responsible for a failed project? Surely the applicant, whose ill-considered project was financed, is not the only one to blame. A large part of responsibility lies with the loan committee, who has given the green light. The loan committee of the Parliament is the Ministry of Finance, who is to take care that only adequately grounded and analysed investment projects make it to the tables of the parliamentarians. At the same time its tasks should not be limited only to cancelling projects and primary attention should be devoted to consultation and training. The ministries must know what an exemplary investment project should be like. As far as they do not know it, they cannot be required to prepare such projects.

Dag Ainsoo, Kristjan Paas



Dag Ainsoo (24) works in the SAO since September 2000. He is an Auditor of the Performance Audit Department and presently acts as an Audit Manager, focusing on the state budget, defence, rehabilitation of ex-convicts and topics concerning the treatment of juvenile delinquents. His master's thesis under way at the Tallinn Technological University is on the measurement of results in the public sector.



Kristjan Paas (27) is an Audit Manager of the Performance Audit Department who started work in the SAO in January 1999. His audits have mostly dealt with the areas of culture, education and science. In the course of his doctoral studies Kristjan Paas investigates the influence of education-political decisions on the socio-economic development of the state. He is one of the internal trainers of the SAO.

Who tricks whom in the fairy tale about Sly Ants and the Devil?

Transparency of the state budget has been discussed extensively and the term has become a hackneyed phrase in professional rhetoric. Yet the questions have not gone away: Does the Parliament know what it wants to achieve by adopting the budget? What is actually achieved? On what basis is the fate of budget resources decided?

The Government submits to the Parliament the draft budget together with a letter of explanation, which contains promises. The text of the state budget to be adopted quotes only total amounts. The letter of explanation presents but few lines of promises that are not binding. Unfortunately the fulfilment of these scanty promises is not guaranteed either, because the draft budget has no powers of the law, i.e. it is not possible to require that the promises be fulfilled.

Although it is the Parliament who apparently decides on the allocation of the budget resources, the role of the legislator in distributing taxpayers' money has actually been passed to the executive branch (the Government). It may be said that it is the Parliament's will to delegate the right to make specific decisions on the allocation of money to officials, who are more competent in matters of daily life and should thus be able to distribute money quickly and purposefully. Maybe a fairly reasonable decision. But rights are accompanied by responsibilities and accountability of where the resources were placed, what the taxpayer received for them (services, investments, etc.). Today this accountability does not work too well.

The report on the implementation of the budget should be the most important annual report for the Government. But is it? The requirements as to this report are few: the law determines a list of obligatory parts of the report without elaborating their content. And when preparing the report, the officials do the minimum, i.e. do not include a word more than stipulated in the law.

What is this report like? 170 pages of numbers. We learn if and how much budget resources have been spent and who has spent them. Regrettably, nothing is said about what has been obtained for the money. What can be decided on the basis of such a report? About the Police Board, for instance, the report tells us that 100% of the salary funds allocated to the board has been spent. 414 million kroons of taxpayers' money. Should we pay a bonus to the Police Board for its good results? Indeed, the budgetary resources have been spent as allocated. This is not meant as criticism of the Police Board specifically, as the situation is similar in all other institutions.

What would obligate the institutions to be accountable? In accordance with the Government of the Republic Act, ministers are responsible for the activities in their area of government, including reporting. Requirements as to the information to be presented in the reports on an area of government are determined by the Ministry of Finance. The content of these reports is improving, but they are not submitted to the Parliament. The Government reports to the Parliament only with the above-mentioned total report on the implementation of the budget.

And requirements as to this report are laid down in the State Budget Act. This is the will of the Parliament. A viscous circle.

Has the Parliament forgotten its responsibility, when delegating its rights?
Has the Parliament acted in too good faith and has this faith been abused?
Or are we looking at dodging responsibilities: the Parliament adopts the budget without possessing the necessary information, because the Government does not present it in a “digestible” manner? The Government cannot be accused, because the law does not require more and the law is the will of the Parliament. Who benefits from this confusion? Who is Sly Ants and who the Devil?
Or are they all confidence tricksters?

The processing of the state budget demands a high degree of responsibility from the deputies of the people. It would be logical that the budget implementation reports were used in the debates on the next budget. But in order to be able to do that, the report should contain the necessary information. And in debating the budget the auditor’s opinion on the report should be taken into account. But this is already another story.

Kaie Karniol

Kaie Karniol (31) works in the SAO since November 1999. She had worked as a Specialist, an Audit Manager and in January 2001 she became the Head of the Financial Audit Department. Her work involves the management of annual audits of the accounting reports of the state administrative agencies. Kaie Karniol participates in the team of re-organisation of the state’s accounting system working at the Ministry of Finance.



Atom Kid and Cyberbear

In a fairy-tale Atom Kid met Cyberbear. In a friendly chat Cyberbear explained to Atom Kid the basic truths of cybernetics. The young and green Atom Kid listened to the bear and nodded his head made of a proton, but did not seem to understand a lot. As Atom Kid did not understand what he asked (i.e. input – feedforward) and what the bear answered (output – feedback), he could not understand what the bear was all about (operating mechanism – black box).

This looks familiar when we consider a situation, where the state transfers its functions (thus also taxpayers' money) to institutions in private law – foundations and companies with state participation – and then as if assumes leadership of these institutions. The roles are divided as follows. The state is Atom Kid, the aims of the state and the money are feedforward, other persons are black boxes or cyberbears, and the results of the activities of the latter and reporting thereof constitute feedback. The bonuses gained by the transfer of functions, in addition to increased salaries of employees, seem obvious and need not be explained. Things are just taken to run more smoothly this way.

Here it is vital to assess how the above chain of command works. The audits of the SAO have yielded the following general picture.

Functions are usually served as goals or otherwise the goals are so general that express nothing but good will. It can only be guessed how much money has been dispersed this way, because the funds flow through numerous opaque budget channels. According to the Ministry of Internal Affairs, in 1998–2001 foundations received one billion kroons from the state budget, but there are good reasons to suspect a larger amount. What has been desired in return for the resources allocated in addition to promotion, improvement, harmonisation and development, remains a secret. This is what the input or feedforward looks like.

The reports collected register that the state's money has been spent and that the spending has, as a rule, been recorded truly and fairly. One not too competent auditor of a company with state participation had found that this was not enough and had added to the opinion (sic!) the phrase "... employees should rest more and the salaries are too low for a state-owned joint stock company". Most annual reports, reports of the state's representatives to the ministries and reports of the ministries to the Ministry of Finance contain soothing assurances that despite insufficient funding the pace of work has not slackened. And indeed, the respective legislation does not require much more.

Frequently the outsourcing is justified by higher competence of persons in private law. A supervisory board of a business undertaking owned 100% by the state "competently" stated that "... as the off-balance-sheet account of the undertaking contains half a million kroons of free funds, it is possible to pay bonuses". In everyday language this kind of remuneration is simply termed illegal. This is the feedback.

A phenomenon on its own is the supervisory boards seating representatives of the state or black boxes. In cybernetics this term means objects with unknown

operating mechanism. It is possible to study them, if the feedforward is known and compared with reliable feedback. As is seen at present, neither is known. We only know that money goes somewhere. Thus the black boxes become even darker and are turning into black holes. As in the context of cybernetics those are uncontrollable and inconceivable phenomena, we cannot at this point talk of protecting or observing the state's interests or any control whatsoever.

For instance, the Agriculture and Rural Life Credit Fund has over the years received over 600 million kroons, part of which has been distributed as several subsidies, but most of which has been lent out through banks (why have the foundation in between at all?). The statutory aim of the foundation or the state's interest has been defined as giving low-interest credits to rural operators (in fact, this is a task and not an aim). All actual work is carried out by the bank, who selects eligible applicants. From among these, the supervisory board selects about half by vote, without there being any definite criteria as to whom the loans should be given and to whom not. No management document of any major importance says a word about what is sought to achieve as the long-term goal. It is not clear whether preference should be given to cattle-breeding or growing of hemp, farm tourism or organic farming, distillation of moonshine, etc. Some just get the money and some do not.

It is customary to demolish critics by demanding that they table a positive programme. Without dwelling on whether such a programme is always necessary, when the basis and rationale of the whole undertaking are questionable, let us still ask – OK, this may be very correct, but what should be done?

The main ideas are available from any decent management textbook (even on mechanics). "Management" should be turned into management, i.e. clear measurable objectives are to be set, priorities and decision criteria must be determined, specific action plans must be prepared and given for implementation to specific persons who would be responsible for the results, an efficient internal control system is to be implemented, activities carried out in the public interest must be made transparent, etc. And before that it is worthwhile to think when the functions of the state should be transferred to anyone at all. There are some things here that the Parliament can do. Otherwise we are left staring at the mysterious Cyberbear like Atom Kid.

Jüri Kurss

Jüri Kurss (45) is a Senior Auditor of the Financial Audit Department and works in the SAO since August 1999. He has previously worked at the Tallinn Technological University as an instructor of economics; at present he audits the accuracy of the accounting of the Ministries of Economy and Social Affairs and the Defence Police and Police Boards.



Risky subsidies

Various subsidies make up 5 billion kroons of state budget expenditure (excluding health and pension insurance). Funds from the budget are allocated to natural and legal persons and different types of subsidies are received by most people. The volume of the funds used for subsidies and the large number of recipients set high requirements for the laws regulating the subsidies and other regulations that specify the laws.

Last year the audits of subsidies conducted by the SAO in six ministries covered about 1 billion kroons of state budget expenditure.

Instead of handling all subsidies separately and auditing the transfers of funds post factum, for which the SAO has no potential, we find that it is much more efficient to establish whether a legal environment with necessary preventive measures has been created, i.e. whether there are preconditions that would make fraud as unlikely as possible.

As in the case of subsidies the main risks are abuse and improper use, we have adopted an audit approach applied for the prevention of these risks in many countries. Abuse means illegal transfer of or failure to transfer funds and improper use means transfer of funds in contravention with the aim and principles of relevant legislation, but not with specific legislative provisions.

Our general audit approach is based on the following principles:

- The legislative acts concerning subsidies must clearly define the aims of subsidies and contain specific and unambiguous conditions for the receipt of subsidies. For instance, in the case of the subsidy payable to disabled people, there were no clear criteria on the basis of which subsidy was to be granted to some persons and refused to others. The social benefit for the disabled was received also by people undergoing long-term hospital treatment.
- As in many cases, subsidies are allocated on the basis of information submitted by the applicant, there must be possibilities to verify the information and this should be done using different databases. In the case of the system of grain subsidy it was not clear whether the field, on the basis of which a subsidy was applied for, really existed and if it did, whether the applicant in fact used it for growing grain. With the dairy cattle subsidy there were cases, where cows for whom the subsidy was being paid had been consumed as food years earlier.
- The activity of those who allocate the subsidies must be as public as possible, concerning both the conditions of receipt and the recipients. In the allocation of subsidies equal and uniform treatment of applicants must be guaranteed.

For instance, the notice that all applicants of grain subsidy must keep a record of herbicides was published only in few county newspapers. In other counties many farmers failed to comply with the requirement because of their ignorance and were therefore left without subsidy.

- For cases of detected abuse, there must be sanctions both for the applicants and the allocating persons of subsidies and these sanctions must be applied.

Our audit activity makes it possible to draw a clear conclusion that the requirement to prevent abuse and improper use has not been taken into account in the drafting of legislative acts. Practically all our audits in this field have ended up with proposals to specify or amend legislation.

It is extremely important that the ministries assessed the risks of abuse and improper use already at the stage of drafting legislative acts. In preparing a legislative act which establishes a new subsidy, or in amending the regulation of an existing subsidy, all the above aspects are to be taken into consideration, i.e. the specific aim and target group of the subsidy, possibilities for verification of information, existence of sanctions and possibly greater transparency of the activity of the allocators of subsidies.

In 2001, in addition to the proposals made in the audits, we submitted our opinions on draft legislation directly to the parliamentary committees. This happened primarily in cases when draft legislation was processed as urgent and the SAO had not been able to give its assessments at an earlier stage of drafting the respective legislation.

Thus we submitted our proposals to the Finance Committee of the Parliament on the new Gambling Tax Act and to the Culture Committee on the new Education Allowances Act.

To minimise risks of possible abuse and improper use, the SAO continues to assess the systems entailing such risks.

Jüri Kõrge

Jüri Kõrge (50) started work in the SAO in February 1991. For a long time he covered the topics of culture, education and science, at present he heads the Department of Audit of Operational Risks and represents the SAO in the Professional Committee of Auditors. Last year Jüri Kõrge received from the President of the Republic the 4th class Order of the White Star for long and conscientious work in the building and development of one of the constitutional institutions of the state.



What counts is not what you say, but how you are understood

Many will probably remember year 2001 as a year of increasing alienation of the people from politics and from those who implement it. As a reason, people mention ignorance – they just do not know what the authorities are doing – and lack of interest, as it seems nearly impossible to change anything in the system. On the other hand, it is to be admitted that there are cases where democratic participation in decision-making has been turned into a farce, covering irrational and economically ungrounded actions.

How to bring about a dialogue that is so much needed? How to make power more open and transparent for people and primarily more understandable, so that they might take a more active part in governing the state? Indeed, it is difficult to make decisions or give opinions on processes happening in the society, if the nature of the problems and the possible solutions are incomprehensible.

The rash onslaught of the information society has opened up a multitude of new channels for information exchange, but it seems that this tumultuous progress has overshadowed the most important aspect of all – information itself. Too little thought is given to who is the addressee of information, to how matters should be explained and complex decisions and their drafts be made more comprehensible.

The SAO has realised that in the context of excessive information surrounding us, another voluminous document published on a web page in dry bureaucratic slang, or a boring and overgeneralised newspaper article or media interview cannot relay the necessary explanations to the citizen. All of the above communications, when designed appropriately, are necessary, but they also share a fault – the link with the target group is unidirectional. Elsewhere in the world insufficient dialogue with the public may deprive an official or politician of his or her position. This autumn has shown that this is gradually becoming true also of Estonia.

At the beginning of the year, when the SAO started to plan its new external web site, we tried to keep these lessons in sight. As our principal aim we defined the need to seek a closer contact with our target groups, to find opportunities for a fruitful dialogue. Our main objective was to create a channel, enabling us to introduce our results more efficiently and to obtain feedback on work done. We wanted to create an information gate for the reader that would comprehensibly cull audit-related information, give a chance to ask for more, comment and recommend.

The keywords that we used in the design of our new web site were user-comfort and interactivity. All interested persons were given an opportunity to register in the mail list at the SAO homepage to receive information on all new materials at their personal mail addresses. This gives the users of the web page assurance that they always receive all information they are interested in.

To make it possible to submit queries and to comment on the audits, we launch forums on every completed audit, where we respond to all questions asked within a short time. The viewpoints of those interested provide to the SAO feedback about the quality of our work and the value and applicability of our recommendations. Something that always constitutes valuable input for the planning of next audits.

As a separate feature, we created an opportunity to recommend audit topics to the SAO. Recommendation of topics should be of interest to all people who care of the well-being of the state. This channel makes a direct contribution to the planning process of the SAO, because it is the results of monitoring and strategic analysis of information about different areas of daily life that are used as significant inputs for annual audit plan.

The new web was opened on November 1, 2001. We believe that by creating new opportunities we have taken a step nearer to those whom the SAO must provide with assurance that government money and assets are being used purposefully and with conscience. Every politician, official and citizen can now take their own steps and voice their opinion using these opportunities. We are ready to listen to them and take all worthy ideas and positions into account in our work.

Kadri Mölder

Kadri Mölder (28) works as the Head of the Public Relations Service since March 1999. The team of two of the service who started work three years ago has by now grown to seven members and its task is the organisation of all information and communication activities of the SAO. Alongside with the head of the service and spokesperson, the service includes an information official, archivist and editors who peruse all the reports of the SAO. The possibilities for increasing the efficiency of communication of public sector organisations constitute one of the topics of Kadri Mölder's master's thesis under completion at the Tallinn Technological University.



Work time can and must be managed

As of December 31, 2000, according to the data of the public service yearbook, the Government of the Republic of Estonia employed 20 472 people, which means that the central government had about 37 million work hours to manage annually. Was this work time put to good use? We do not know. More often than not, we do not have reliable information about what activities the time is spent on, and once there is no information about a thing, the thing cannot be managed. Yet, differently from subsidies and investments, work time is one of the main resources that the government can manage on a current basis. What should be done? In 2001 the SAO applied a web-based work time accounting system to support the strategic management of the organisation.

The SAO is an audit institution the main output of which is audits. The efficiency of our activity can be evaluated by assessing the use of our audits to the Parliament and the auditees, as well as the cost of our audits.

The cost of an audit depends on how much of our total resources we spend on auditing and how much on the specific audit. As the majority of the costs of the SAO is made up by salaries, the efficiency of our activity depends first and foremost on how purposefully we use the work time. In general we are convinced that results can be expected only from areas in which we invest time. The opposite is not excluded, but is generally unlikely.

In 2001, to optimise the use of time, we started a work time accounting system based on the internal web, which gives a thorough overview of work time spent on audit projects and other activities. The time accounting system gives us a new and handy instrument for work time management and supports the planning of the work of the SAO, giving us a chance to set objectives and divide resources in a new way.

The SAO manages its resources primarily at three levels.

- The allocation of resources between the principal activity (audit), development activity (e.g. training and methodology) and support services (e.g. IT, office services).
- The allocation of resources of the audit department between different strategic audit directions (prioritised areas of government, topics, etc.).
- Expenditure of resources on specific audits and development projects.

Decisions made at all the above levels are largely linked with the amount of work time spent on different activities. These decisions are reflected in the audit strategy of the SAO, in the annual work agreements between the Auditor General, the Heads of Departments and the Director of Support Services, the annual audit plan and the planning documents of specific audit and development projects. The accounting of work time enables us continually to follow the adherence to the plans and to detect deviations quickly. Thus we can adopt supplementary decisions or adjust our plans.

The work time accounting is based on a work time accounting classifier or the so-called chart of accounts of work time.

Principal activity (audits)
Other principal activities
Planning and monitoring of audit activity
Development
– Development projects
– Training
– Further self-education
Support services
Other (management, internal communication, etc.)

This classifier supports the above planning logic and divides the work time into principal, development and support activities, permanent activities and projects. The preparation of such a chart of accounts and its adjustment to the actual needs are of fundamental importance for the construction of the whole system. Our system has been created in view of the needs of an audit institution and primarily focuses on detailed monitoring of the course of audit projects.

Every employee himself/herself enters the work time at the end of the day or during work. This can be done in an ordinary web browser window, by choosing a suitable classifier, entering the time spent on an activity and adding an explanatory comment. At every moment of time an employee can see entries made by himself/herself and others.

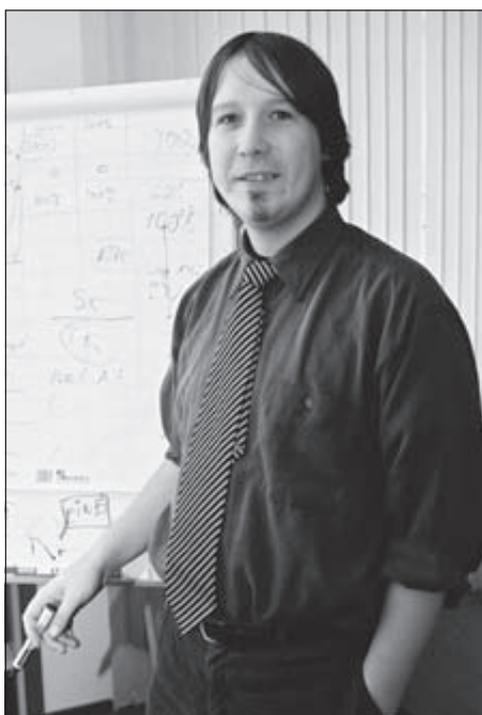
The system of time accounting makes sense only when it generates information that is easily usable by the manager. For this purpose we created standard reports which make it possible to generate quick overviews on resource expenditure across people, departments, projects, weeks, activities, etc. This is supplemented by modules enabling every user to generate the necessary reports.

It is clear that such a system can operate only when the employees enter their work times correctly. The responsibility for it lies with the Heads of Departments and Support Services. To support the managers the system has built-in warning mechanisms which react when an employee does not conduct the accounting correctly or deals with things he/she should not be dealing with. It is also possible to compare the work time entered with the comments and the hours spent on the same activity by other employees.

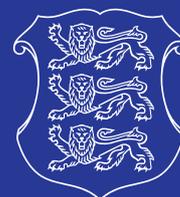
The whole system is web-based and needs no paper. The time accounting has been set up as an organic part of the SAO's internal web and is connected with other systems which give auditors a possibility flexibly to move from work time accounting to audit documents, to monitor fixed deadlines alongside with time expenditure and to receive respective warning mails, etc.

We believe that the question "How many hours does this activity take?" and the ability to give a motivated answer to it should be a part of management culture in every institution where the main resource is the work time of employees. The SAO is ready and willing to share its experience.

Aivo Vaske



Aivo Vaske (27) works in the SAO since August 1998. As the Head of the Methodology, Planning and Reporting Service, he coordinates the preparation of the SAO's strategic planning documents (annual audit plan, strategic plan, audit strategy) and the monitoring of their implementation. He also provides consultancy to the Auditor General and auditors in the planning of audits and presentation of results. Aivo Vaske has participated in two audits: on the privatisation of Edelaraudtee and on the activity of the Energy Market Inspectorate.



5. Financing of the activity of the State Audit Office in 2001

5.1 Budget

The operating expenses of the SAO are covered from the state budget.

In 2001, the SAO received from the state budget 26 661 000 kroons, which made up 0.09% of total expenses of the budget. In addition, during the financial year 119 316 kroons of resources carried over from year 2000 were used for the acquisition of noncurrent assets.

In comparison with the budget for 2000, the budget allocated for 2001 with the State Budget Act increased by 5.2%. The increase was caused by the need to involve professional work force in auditing and to ensure conditions necessary for work.

5.2 The use of funds allocated from the state budget

Article	Budget 2000*	Budget 2001*	Expenses 2000	Expenses 2001
10 Salaries	13 666 966	13 555 000	13 620 357	12 823 706
21 Social tax	4 633 489	4 473 000	4 633 489	4 245 159
30 Administrative expenses	7 148 000	6 827 000	7 147 805	6 824 616
37 IT	1 036 000	1 390 000	1 036 000	1 389 989
44 Purchased works and services	150 000	100 000	150 000	100 000
57 Membership fees of international organisations	16 287	16 000	11 553	10 102
73 Major repair works	150 000	0	150 000	0
76 Acquisitions	903 040	419 316	783 723	419 316
77 Acquisition of immovable property	23 100 000	0	23 100 000	0
54 Study loan	71 892	0	45 886	96 981
Total	50 875 674	26 780 316	50 678 813	25 909 869

* Budget together with funds carried over from the previous period

The budget for 2001 was implemented in the extent of 25 909 869 kroons. Budget allocations worth 967 428 kroons were left unused, this amount consisted mainly of salaries and the social tax. The surplus was caused by the number of employees, which was smaller than planned. The budget was planned for the payment of salaries to 100 employees, but the actual average number of employees was 90.

5.3 Investments

During the year 913 086 kroons were invested in noncurrent assets. Most of the investments were made in IT resources – a public procurement for the purchase of 21 computers and server software was conducted. The expenses on the acquisition of computer technology and software were 727 797 kroons, expenditure on other inventory and furniture was 160 830 kroons. 24 459 kroons were spent on the improvement of noncurrent assets.

During the year capital lease payments of 240 863 kroons were made for furniture and office equipment acquired earlier. The capital lease liabilities as of the turn of the year were 518 258 kroons (the term is in year 2004).

In January the registered immovable together with the office building at 4 Narva Rd., Tallinn owned by the SAO was sold to AS Krediidipank. 27 101 101 kroons were received from the transaction. 26 950 798 kroons were transferred to the state budget (the amount received minus the expenses on organising the sale). The residual value of the building sold was 2 573 036 kroons, which is recorded in the income statement as other operating expenses.

As of 31.12.2001 the balance sheet value of the noncurrent physical assets owned by the SAO was 25 088 099 kroons.

5.4 Personnel expenses

Salary of employees

The salaries and the social tax on the salaries were the largest expenditure items, making up 63.2% of operating expenses (17 223 676 kroons).

In 2001 the average salary of employees of the SAO was 10 665 kroons, of which 93% or 9 969 kroons was salary and 7% or 696 kroons was additional remuneration.

The average salary in the departments was 10 786 kroons (salary 10 171 kroons + additional remuneration 615 kroons).

The average salary in the services was 10 416 kroons (salary 9 553 kroons + additional remuneration 863 kroons).

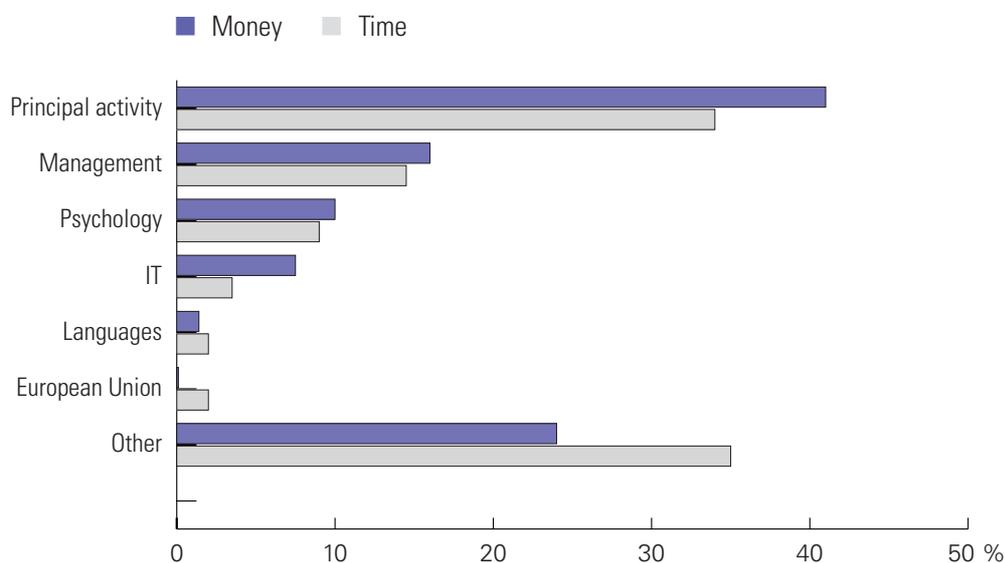
Expenditure on assignments abroad

With the developing international relationships and growing obligations, the expenditure on assignments abroad has been constantly growing. In 2001 this expenditure was 927 179 kroons. The total number of days spent by the employees on assignments abroad was 461 days.

Expenditure on training

In 2001 the SAO spent 824 786 kroons or 6.5% of its salary fund on the development of its employees. In-service training was organised both in Estonia and at audit institutions abroad. In 2001 an employee of the SAO participated in training for 106 hours on average. The average training expenditure per employee was 9 223 kroons.

The following figure presents the percentages of financial and time resources spent on training across types of training.



Employees of the Financial Audit Department and the Department of Audit of Operational Risks in the meeting room of the SAO at the training "Regularity Audit" organised by PricewaterhouseCoopers.

5.5 Balance sheet

	Accounting year 31.12.2001	Previous year 31.12.2000
Assets		
Current assets		
Cash and bank	55 725	2 288 719
Other receivables		
Receivables from employees	1 717	1 160
Accrued income		
Lease revenue receivable	0	84 448
Prepaid expenses		
Prepaid insurance expenses	26 089	14 845
Other prepaid expenses	61 937	59 456
Inventories		
Prepayments to suppliers	0	19 905
Total current assets	145 468	2 468 533
Noncurrent physical assets		
Buildings and facilities	24 166 817	29 327 456
Other noncurrent assets	8 347 647	8 562 731
Depreciation of noncurrent assets	-7 426 365	-7 724 200
Total noncurrent assets	25 088 099	30 165 987
Total assets	25 233 567	32 634 520

	Accounting year 31.12.2001	Previous year 31.12.2000
Liabilities and capital		
Current liabilities		
Short-term part of long-term liabilities	245 819	240 863
Supplier payables	411 541	588 395
Other current liabilities	21 232	2 211 864
Tax liabilities	0	13 495
Tax liabilities of personnel	15 953	49 677
Accrued expenses		
Payables to employees	613 544	476 770
Other accrued expenses	0	17 910
Total current liabilities	1 308 089	3 598 974
Noncurrent liabilities		
Debt to leasing companies	272 439	518 258
Total noncurrent liabilities	272 439	518 258
Capital		
Capital	4 156 760	5 534 130
Donated capital	715 716	1 059 179
Profit/loss of previous year	23 301 350	-1 377 370
Profit/loss of accounting year	-4 520 787	23 301 350
Total capital	23 653 039	28 517 289
Total liabilities and capital	25 233 567	32 634 520
Off-balance-sheet assets	1 665 045	1 770 371
Off-balance-sheet receivables	35 195	35 195

5.6 Statement of revenues and expenditures

	Accounting year 2001	Previous year 2000
Operating revenue		
Revenue from state budget	25 909 869	50 678 813
Revenue from economic activities	0	28 009
Total operating revenue	25 909 869	50 706 821
Operating expenses		
Salaries and fees	12 835 021	13 364 650
Social tax expenses	4 388 654	4 521 835
Holiday benefits payable	147 497	244 235
Other personnel expenses	1 632 273	1 253 822
Administrative expenses	5 640 828	5 553 521
Other operating expenses	2 614 623	83 559
Transfers and subsidies	10 102	13 278
Total operating expenses	27 269 000	25 034 900
Depreciation of noncurrent assets	3 074 326	2 329 933
Operating profit/loss	-4 433 457	23 341 989
Financial revenue and financial expenses		
Financial revenue	4 998	10 571
Financial expenses	92 328	23 201
Collection of taxes, payments, levies and fees		
Revenue from collection of taxes	9 234	1 220 339
Transfer of taxes, payments, levies and fees	9 234	1 248 348
Accounted profit/loss	-4 520 787	23 301 350

6. Auditor's report



AUDITOR'S REPORT

(Translation of the Estonian original)

AS PricewaterhouseCoopers
Pärnu mnt. 15
10141 Tallinn
Estonia
www.pwcglobal.com/ee/

Telephone +372 6 141 800
Facsimile +372 6 141 900

To Parliament of Estonia

We have audited the financial statements of The State Audit Office (Institution) for the year ended 31 December 2001, from which the financial information set out on pages 35 to 40 was derived. We conducted our audit in accordance with International Standards on Auditing.

In our report dated 25 February 2002 we expressed an opinion that the financial statements, from which the financial information set out on pages 35 to 40 was derived:

- are prepared in all material respects in accordance with the decree No 105 "Preparation, presentation and authorization of 2001 annual report", issued by the Minister of Finance of Estonia on 6 December 2001, and with the Estonian Accounting Law and Estonian generally accepted accounting principles to the extent that they are not in conflict with the abovementioned decree.
- without qualifying our audit report we drew attention to the fact that the principles stipulated in the abovementioned decree are partly not in compliance with the accrual principle required by § 4 (2) of the Estonian Accounting Law and therefore the implementation of the abovementioned decree does not enable preparation of financial statements that would give a true and fair view of the financial position of the Institution as at 31 December 2001 and of the results of its operations and its cash flows for the year then ended in accordance with Estonian Accounting Law.

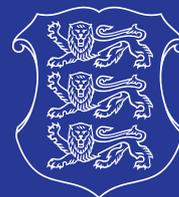
In our opinion, the accompanying financial information is consistent, in all material respects with the financial statements from which it was derived.

For a better understanding of the Institution's financial position and the results of its operations for the period and of the scope of our audit, the financial information should be read in conjunction with the financial statements from which the financial information was derived and our audit report thereon.

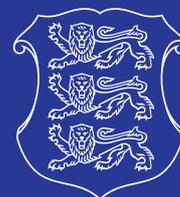
Urmas Kaarlep
AS PricewaterhouseCoopers

Ago Vilu
Authorised auditor

3 April 2002



Annexes



Employees of the State Audit Office in year 2001 (as of 31.12.2001)

Dag Ainsoo	Kalev Lattik	Jüri Raatma
Sale Ajalik	Janna Laus	Heiki Randma
Airi Alakivi	Ingrit Lepasild	Evi Riives
Peeter Annus	Eili Lepik	Siiri Roose
Markko-Raul Esop	Raivo Linnas	Svetlana Rõbakova
Jane Etverk	Küllli Lukk	Tõnis Saar
Katrin Gottlob	Eva Lätti	Tarmo Sepman
Mare Haljak	Peeter Lätti	Sven Soiver
Anne Haljas	Alo Lääne	Maimu Soost
Rein Harjo	Maidu Lääne	Õie Soovik
Liidia Heinlo	Olav Lüüs	Merike Starovoitov
Raivo Hurt	Piret Malv	Saima Strenze
Anne Hurt-Kivisalu	Airi Mark	Madis Särekanno
Heli Jalakas	Raul Mark	Rein Söörd
Krista Jansen	Siiri Martverk	Jelena Zubova
Mare Kabrits	Kristjan Mellik	Vladimir Žugov
Katri Kadakas	Erki Must	Ira Tambik
Kaie Karniol	Kadri Mölder	Kaire Tamm
Jaanus Kasendi	Maimu Mölderson	Katri Tammsaar
Kristel Kerson	Anneli Narusk	Helen Trelin
Helerin Kivilo	Andres Noormägi	Timo Tupp
Hedy Kohv	Ilme Ott	Jaana Tõnisson
Aalo Kukk	Kristjan Paas	Liisi Uder
Eevi Kuld	Helen Paliale	Krista Uuna
Lembi Kull	Juhan Parts	Aivo Vaske
Karin Kuller	Andra Peel	Janno Veskimets
Jüri Kurss	Kairit Peterson	Airi Viiart
Vello Kuuse	Urmas Peterson	Ene Viru
Jüri Kõrge	Margit Piller	Evelyn Vällik
	Sven Potapov	



List of audits carried out in year 2001

The audits carried out in year 2001 were divided across ministries and their administrative areas as follows.

Ministry of Education

1. Economic activity of the Ministry of Education in year 2000;
2. Assessment of risks connected with the use of funds allocated from the state budget as the state guarantee for study loans;
3. Use of funds allocated from the state budget for the procurement of textbooks;
4. Financial management of investments of the Ministry of Education;

Ministry of Justice

5. Economic activity of the Ministry of Justice in year 2000;
6. Premises for efficient implementation of the programme of the Government of the Republic "National strategy for crime prevention up to year 2005";

Ministry of Defence

7. Economic activity of the Ministry of Defence in year 2000;
8. Economic activity of the Baltic Defence College in year 2000;
9. Accounting of catering costs of the Defence Forces and their recording in the accounts;
10. Planning and budgeting of investments in the area of government of the Ministry of Defence;

Ministry of the Environment

11. Economic activity of the Ministry of the Environment in year 2000;
12. Audit of PHARE and ISPA environmental projects;
13. Planning and budgeting of administration of fish resources;
14. Premises for efficient implementation of wastes policy;
15. Implementation of the Convention on the Protection of the Marine Environment of the Baltic Sea Area (the Helsinki Convention);

Ministry of Culture

16. Economic activity of the Ministry of Culture in year 2000;
17. Organisation of the use of funds allocated from the state budget to youth sports clubs and sports schools;
18. Activity of the Estonian National Russian Drama Theatre in the administration of state assets;
19. Management of the development of information technology infrastructure of public libraries;
20. Planning and budgeting of the theatre policy of the Ministry of Culture;
21. Management of state investments in the Ministry of Culture;

Ministry of Economy

22. Economic activity of the Ministry of Economy in year 2000;
23. Assessment of risks connected with the granting of licences for the production, import, export and wholesale of alcohol;
24. Purchasing of engine fuels in public sector;
25. Activity of the Energy Market Inspectorate in regulating the energy market;
26. Involvement of a strategic investor in AS Narva Elektriijaamad;

Ministry of Agriculture

27. Economic activity of the Ministry of Agriculture in year 2000;
28. Existence and implementation of measures necessary for the prevention of unpurposeful use of funds allocated as dairy cattle subsidy;
29. Purchasing, sale and storage of grain and organisation of respective accounting in AS Eesti Viljasalv;

Ministry of Finance

30. Economic activity of the Ministry of Finance in year 2000;
31. State revenue report for year 2000 prepared by the Customs Board;
32. State revenue report for year 2000 prepared by the Tax Board;
33. Audit of administration of the Stabilisation Reserve in year 2000;

34. Assessment of risks connected with the granting of licences for the organisation of gambling and lotteries;
35. Regularity of purchasing the shares of Rävåla Bürohoone AS by the Traffic Insurance Fund;

State Chancellery

36. Economic activity of the State Chancellery in 2000;
37. Economic activity of the Government Department of Communications in years 1997, 1998 and 1999;
38. Records management programme of government agencies for 2000–2003;
39. Efficiency of the information systems development projects;

Ministry of Internal Affairs

40. Economic activity of the Ministry of Internal Affairs in 2000;
41. Planning of personnel and personnel costs in the Border Guard;

Ministry of Social Affairs

42. Economic activity of the Ministry of Social Affairs in 2000;
43. Economic activity of the Social Insurance Board in 2000;
44. Economic activity of the Central Health Insurance Fund in 2000;
45. Audit of the statement of revenues and expenditures of the state health insurance for year 2000;
46. Assessment of risks connected with the payment of monthly benefits to disabled persons;
47. Assessment of risks connected with the payment of labour market benefits to employers for the employment of competitively less able people;
48. Assessment of risks connected with the use of funds allocated for training costs and study grants of the unemployed;
49. Assessment of risks connected with the use of funds allocated from the state budget for the emergency treatment of persons not covered by health insurance;
50. Planning and budgeting of labour market policy;

Ministry of Transport and Communications

51. Economic activity of the Ministry of Transport and Communications in 2000;
52. Assessment of risks connected with the use of subsidy allocated to Elektriraudtee AS for passenger transport;
53. Assessment of risks connected with the use of state subsidy allocated to bus transport;
54. Transactions of the Port of Tallinn with noncurrent assets;
55. Regularity of the privatisation agreement of 66% of shares of AS Eesti Raudtee and the shareholders' agreement;

Ministry of Foreign Affairs

56. Economic activity of the Ministry of Foreign Affairs in 2000.

**Audit decisions of the Heads of Departments
on all the aforementioned audits are available on
the homepage of the SAO at
www.riigikontroll.ee.**



Chronology 2001

January

- 08.01 The SAO is visited by representatives of the Board of the Baltic Defence College Bjoern Andreson and Sten Munch af Rosenshold, Head of College Michael Clemmesen and representative of the Swedish State Audit Office Anders Hjerstrand. The wish of the management of the Baltic Defence College that the SAO audited the economic activity of the college is discussed.
- 10.01 At the invitation of the Auditor General the SAO is visited by the Prime Minister Mart Laar. The role of the SAO in the state, the audit priorities of year 2001 and the expectations of the Government of the Republic with regard to the SAO are discussed.
- 17.01–21.01 Auditor General Juhan Parts, Head of the International Relations and Eurointegration Service Rein Söörd, Director of the SAO Ken-Marti Vaher and Head of the Methodology, Planning and Reporting Service Aivo Vaske visit the European Court of Auditors and acquaint themselves with the work of the audit groups and the support services for planning and preparation of reports.
- 29.01–02.02 The SAO is consulted by the communications expert Sonja van Galen from the Netherlands Court of Audit, the main attention is paid to the enhancement of the impact of audit reports.

February

- 13.02–22.02 Experts from MDF¹ Riet Nigten and Silvia van der Cammen conduct a training on development interview for Heads of Departments, Audit Managers and Heads of Support Services; elaboration of a system for competence-based evaluation is also discussed.
- 19.02–23.02 Jan Velthoven and Fons Gloerich from the Netherlands Court of Audit discuss with the employees of the Performance Audit Department the pilot audits “Implementation of the Convention on the Protection of the Marine Environment of the Baltic Sea Area (the Helsinki Convention)”, “Records management programme of government agencies 2000–2003” and “Planning and budgeting of the theatre policy of the Ministry of Culture”.
- 20.02–21.02 Audit Manager of the Financial Audit Department Urmas Peterson and Audit Specialist² of the Performance Audit Department Jaanus Kasendi participate in the first training event of the EUROSAI³ Training Board “Application of Information Technology in Auditing” held in Goławice, Poland.

¹ The Dutch management consultancy company

- 22.02 The Auditor General meets member of the European Commission Michael Schreyer, head of the Estonian delegation of the European Commission John Kjaer and officials of the European Commission Thea Emmerling, Michal Krejza and Tuula Jutila. Parliamentary control over the government is discussed.
- 26.02–02.03 Martin Abbink and Mark Hendrix from the Netherlands Court of Audit provide consultancy on the conduction of pilot audits in the Financial Audit Department and the Department of Audit of Operational Risks (“Economic activity of the Central Health Insurance Fund in 2000” and “Economic activity of the Ministry of Education in year 2000” in the Financial Audit Department, “Assessment of risks connected with the use of state subsidy allocated to bus transport” in the Department of Audit of Operational Risks).

March

- 05.03–07.03 David Clark and Michael Whitehouse from the UK National Audit Office hold the seminar “Methods and Techniques of Performance Audit”.
- 12.03–30.03 The SAO is visited by Sef Maessen from MDF to discuss audit methodology, management of the SAO and training issues.
- 13.03 The management of the SAO meets members of the Finance Committee of the Parliament to discuss the following topics: priorities of the SAO for year 2001, future cooperation between the Parliament and the SAO (in connection with the reading of the new draft State Audit Office Act in the Parliament), expectations of the Finance Committee regarding the SAO and feedback on previous activity, and the opinion of the SAO on the draft state budget.
- 15.03 The Auditor General meets the project manager of the British Council project IPSPELL⁴ David Falcon and Grayson Clarke from the finance and budget consultancy company Bannock Consulting. The latter are accompanied by Advisor of the Public Administration Bureau of the State Chancellery Juhani Lemmik. The visitors are in Estonia in connection with the initial stage of the project. The meeting is attended also by Director of the SAO

² The system of names of positions in the SAO changed at the beginning of year 2002, therefore the names of positions in the chronology and the short biographies following the articles in Chapter 4 may differ.

³ European Organisation of Supreme Audit Institutions

⁴ IPSPELL is a project planned for two years to assist Estonia, Latvia and Lithuania in reforms of the public sector. The planned financing is 700 000 pounds, of which 200 000 is allocated to Estonia. There are several Estonian partners, the project is coordinated by the Public Administration Bureau of the State Chancellery.

Ken-Marti Vaher, Audit Manager of the Performance Audit Department Eva Lätti and Head of the International Relations and Eurointegration Service Rein Söörd.

- 26.03–28.03 A meeting of the consultants of the Netherlands PSO programme⁵ is held at the SAO, attended by the leader of the programme Karel te Lindert from the Netherlands Court of Audit, Chairman of the Board of the Netherlands Court of Audit A. J. E. Havermans, MDF experts Herman Snelder and Sef Maessen, representative of the agency SENTER⁶ Titia Slis, expert of SIGMA⁷ Lage Olofsson, Auditor General Juhan Parts, Director of the SAO Ken-Marti Vaher and Advisor of the International Relations and Eurointegration Service Katri Kadakas. Achievements and the future of the programme are discussed.
- 29.03 The Auditor General attends the 23rd meeting of the Board of EUROSAI. Preparations for the Congress of EUROSAI to be held in Moscow in May 2002 and a pre-congress seminar to be held in Warsaw in September 2001 are discussed. The main topics of the congress and the seminar concern the auditing of the implementation of the state budget.

April

- 03.04 Auditor General Juhan Parts, Head of the Performance Audit Department Raivo Linnas and Audit Manager Kristjan Paas meet with the Culture Committee of the Parliament to introduce audits on the management of state investments in the Ministries of Culture and Education.
- 09.04–13.04 The SAO is visited by Fons Gloerich and Jan Velthoven from the Netherlands Court of Audit to discuss the pilot audits (the audit of the implementation of the Helsinki Convention and the audit of the records management programme of government agencies).
- 09.04 Head of the Performance Audit Department Raivo Linnas, Audit Manager Peeter Lätti and Audit Specialists Maimu Mölderson and Dag Ainsoo meet with the State Defence Committee of the Parliament to give a survey of audits planned in the area of government of the Ministry of Defence and to inquire about the expectations of the committee.

⁵ A programme for the development of the SAO financed by the state of the Netherlands and organised by the Netherlands Court of Audit, the management consultancy company MDF and the agency SENTER.

⁶ SENTER is an agency established at the Ministry of Economy of the Netherlands.

⁷ SIGMA is a support programme of the Organisation of Economic Cooperation and Development (OECD) and the European Union for the Central and Eastern European Countries.

- 11.04 The Auditor General meets a delegation of IMF visiting Estonia to discuss issues connected with the ROSC⁸ fiscal report. The aim of the report is to give an assessment of the Estonian fiscal sector and to check the correspondence of the Estonian financial policy to international standards and good practices.
- 11.04 Audit Manager of the Performance Audit Department Peeter Lätti participates in the first meeting of the working group of audit issues of the supreme audit institutions of the Central and Eastern European Countries, Cyprus and Malta, and the European Court of Auditors held in Budapest.
- 19.04–20.04 Juhan Parts visits the Court of Audit of the Bundesland of Mecklenburg-Vorpommern in Schwerin at the invitation of its President Uwe Tanneberg to get acquainted with the role, tasks and organisational structure of this institution. At meetings the auditing of local governments and problems connected with financial auditing of the European Union funds are discussed. The Auditor General is accompanied by Head of the Financial Audit Department Kaie Karniol and Advisor of the International Relations and Eurointegration Service Katri Kadakas.
- 22.04–23.05 Eva Lätti visits the UK National Audit Office in the framework of the PHARE twinning programme “Promotion of Good Administration and Accounting Practice”.
- 23.04 Juhan Parts discusses the topical problems in the Estonian public administration system with the head of the Estonian delegation of the European Commission John Kjaer.
- 25.04–27.04 Spokesman of the SAO Sven Soiver attends the seminar “Supreme Audit Institution’s Information Policy and Contact with the Media” held by the Supreme Chamber of Control of Poland in Goławice, where legal foundations for publicising information, possibilities and dangers connected with informing the media and the measurement of the efficiency of public relations are discussed.

May

- 05.05–10.05 Director of the SAO Ken-Marti Vaher acquaints himself with Norwegian government institutions at the invitation of the Ministry of Foreign Affairs of Norway.
- 10.05–11.05 The Auditor General participates in the conference of the heads of the supreme audit institutions of the states invited to participate in the first round of the accession talks of candidate states of the European Union held in Budapest. Auditing of the European Union funds and the activity of the working group of audit issues

⁸ Report on the Observance of Standards and Codes

- established by the supreme audit institutions of the EU candidate states and the European Court of Auditors are discussed.
- 14.05–15.05 Audit Manager of the Performance Audit Department Rein Harjo attends the INTOSAI⁹ seminar “Performance Auditing of EDP”.
- 14.05–16.05 Audit Specialist of the Performance Audit Department Krista Jansen participates in the EUROSAI environmental audit seminar in Oslo.
- 15.05 The SAO is visited by representative of the UK National Audit Office Richard Maggs in connection with the twinning programme on internal audit of the Irish and the Estonian Ministries of Finance, involving also the UK National Audit Office and the SAO.
- 21.05–22.05 A TAIEX¹⁰ seminar is held in Brussels attended by Audit Manager of the Performance Audit Department Heli Jalakas and Audit Specialist Krista Jansen.
- 21.05–01.06 The SAO is visited by Silvia van der Cammen from the consultancy company MDF to discuss the personnel work project started in spring, concerning the elaboration of a competence-based evaluation system.
- 24.05–25.05 The Auditor General makes a visit of acquaintance to the Supreme Chamber of Control of Poland at the invitation of Auditor General of Poland Janusz Wojciechowski. He is accompanied by Head of the International Relations and Eurointegration Service Rein Söörd and Acting Head of the Department of Audit of Operational Risks Jüri Kõrge.
- 28.05–01.06 The SAO is visited by Riet Nigten from MDF who, jointly with the Personnel Service, is working on the new salary system of the SAO which regards the skills and experience of auditors and the results of development interviews.
- 28.05–01.06 The SAO is visited by Jan Velthoven and Fons Gloerich from the Netherlands Court of Audit in connection with the pilot audits of the Performance Audit Department (the audit of the implementation of the Helsinki Convention and the audit of the records management programme of government agencies).
- 28.05–01.06 Martin Abbink and Mark Hendrix from the Netherlands Court of Audit visit the SAO in connection with the pilot audit of the Department of Audit of Operational Risks (the audit of risks connected with the subsidisation of bus transport).
- 31.05–01.06 The Auditor General participates in the EUROSAI Conference “The Relations Among the Different Public Sector Audit Structures” in Madeira.

⁹ International Organisation of Supreme Audit Institutions

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

June

- 01.06–15.06 Advisor of the International Relations and Eurointegration Service Karin Kuller attends the IDI¹¹ trainer symposium in Oslo concerning the activity of IDI in the regions of INTOSAI and the tasks of administrators of EUROSAI training programmes.
- 06.06–07.06 Head of the Financial Audit Department Kaie Karniol and Audit Managers Tõnis Saar and Urmas Peterson are on an acquainting visit to Rigsrevisionen of Denmark.
- 10.06–12.06 Head of the Legal Service Timo Tupp attends the European law conference in Stockholm.
- 11.06–13.06 Head of the Performance Audit Department Raivo Linnas participates in the 8th meeting of the INTOSAI working group on the audit of privatisation in Budapest.
- 28.06–29.06 Representatives of the supreme audit institutions of 14 European states, the European Court of Auditors, SIGMA and IDI exchange experiences in Tallinn. The main topics discussed concern the activity of the two working groups established by the supreme audit institutions of the EU candidate states and the European Court of Auditors (the first group deals with the preparation and implementation of audit manuals, the other initiates joint pilot audits and organises audit training). Enhancement of cooperation between the supreme audit institution and the parliament and possibilities for self-assessment of supreme audit institutions are also discussed.

July

- 07.07 Expert of IPSPELL Grayson Clarke, Advisor of the Public Administration Bureau of the State Chancellery Ruta Rannala, Head of the Financial Audit Department Kaie Karniol, Audit Specialist of the Department of Audit of Operational Risks Kristjan Mellik, Audit Manager of the Performance Audit Department Eva Lätti and Audit Specialist Erki Must discuss issues connected with the budget reform.

August

- 08.08 Auditor General Juhan Parts meets with the Australian Auditor General Pat J. Barrett who visits Estonia unofficially. Privatisation of infrastructure enterprises and preparations for the world congress of Auditors General in October are discussed.

¹¹ IDI is a foundation of INTOSAI dealing with the organisation of training.

September

- 05.09–06.09 Audit Manager of the Performance Audit Department Peeter Lätti and Audit Manager of the Financial Audit Department Urmas Peterson attend the IBAN¹²/NATO seminar in Warsaw.
- 05.09–08.09 The annual meeting of representatives of the supreme audit institutions of the Baltic and the Nordic states is held in Juodkrante, Lithuania. The strategies of the supreme audit institutions in a modern democratic society are focused on. The delegation of the SAO of Estonia (the Auditor General and 9 members from the support services and audit departments) introduces the strategy based on three pillars – performance, financial and operational risks audit. The auditing of the use of pre-accession assistance funds of the European Union (PHARE, SAPARD, ISPA) is also discussed.
- 06.09–15.09 Audit Manager of the Performance Audit Department Rein Harjo makes a presentation on the methodology of IT audit used by the SAO at the seminar of IT managers of governmental institutions of Hungary, Slovakia and the Czech Republic (Budapest-Bratislava-Prague).
- 12.09–14.09 Dutch management experts Willemien van Otterlo and Jan Renger conduct a management training in the framework of the Dutch programme attended by the management of the SAO, Heads of Support Services and Audit Managers.
- 13.09 Official of the European Commission Ulrika Klingenstierna meets the Auditor General to discuss the development of financial control in the public sector.
- 13.09–03.10 Head of the Financial Audit Department Kaie Karniol attends international courses organised by the UK National Audit Office in London.
- 20.09 The final report of the audit on the implementation of the Helsinki Convention is adopted in Warsaw. The event is attended by Audit Manager of the Performance Audit Department Eva Lätti.
- 24.09 Martin Abbink and Mark Hendrix from the Netherlands Court of Audit visit the Financial Audit Department to prepare the training to be conducted at the end of October.
- 24.09–27.09 Audit Manager of the Financial Audit Department Urmas Peterson and Audit Specialist of the Performance Audit Department Airi Viiart attend a seminar on the audit of state budget held in Warsaw before the EUROSAI Congress.

¹² IBAN is a body of auditors auditing NATO.

- 25.09 The audit mission of the European Court of Auditors informs the SAO about the audit of control systems of the use of the EU funds conducted in the Baltic states and involving also observers from the SAO.
- 27.09–28.09 Head of the Dutch PSO programme Karel te Lindert introduces in the SAO Fon Linders from the Netherlands Court of Audit who becomes the new head of the programme.

October

- 02.10–04.10 The SAO is visited by the delegation of the State Audit Office of Finland headed by Auditor General Tapio Leskinen. The visitors and the management of the SAO discuss the strategic plan of the SAO and the development of internal control in Estonia, the activity of the State Audit Office of Finland is also discussed.
- 08.10–10.10 The Auditor General meets with member of the European Commission Michael Schreyer, member of the European Court of Auditors Aunus Salmi, head of the Estonian delegation of the European Commission John Kjaer and official of the Directorate-General of Budget of the European Commission Jürgen Andermann. Internal audit and financial audit of the public sector are discussed.
- 08.10–10.10 The SAO is visited by the audit mission of the European Court of Auditors in connection with the audit of the use of PHARE and ISPA funds for environmental improvement, involving also auditors of the SAO.
- 10.10–11.10 Head of the International Relations and Eurointegration Service Rein Söörd attends the meeting of liaison officials of the supreme audit institutions of the Central and Eastern European Countries, Cyprus and Malta, and the European Court of Auditors, where preparations for the forthcoming meeting of the heads of supreme audit institutions are discussed.
- 21.10–27.10 Auditor General Juhan Parts and Head of the International Relations and Eurointegration Service Rein Söörd attend the 17th Congress of INTOSAI in Seoul.
- 22.10–30.11 Training Manager of the Personnel Service Külli Lukk, Audit Manager of the Financial Audit Department Tõnis Saar and Audit Manager of the Performance Audit Department Kristjan Paas attend the planning and development seminar of the IDI training course in Prague.
- 29.10–31.10 Mark Hendrix and Martin Abbink from the Netherlands Court of Audit conduct the course “Financial regularity audit” in the Financial Audit Department.

- 31.10 Commander-in-Chief of the Defence Forces Rear Admiral Tarmo Kõuts awards Juhan Parts the Anniversary Medal “10 Years from the Restoration of the Defence Forces” for his services in the restoration of the Defence Forces.
- 31.10 President Arnold Rüütel meets with the Auditor General in Kadriorg. Urgent problems of the Estonian society are discussed, at greater length attention is focused on the privatisation and state control of the price policies of monopolies.

November

- 05.11 Employees of the Financial Audit Department visit the State Audit Office of Finland.
- 05.11–07.11 Employees of the Performance Audit Department visit the State Audit Office of Finland.
- 07.11–09.11 Visit of Auditor General Juhan Parts to the State Audit Office of Hungary. He is accompanied by Advisor of the International Relations and Eurointegration Service Katri Kadakas, Head of the Financial Audit Department Kaie Karniol and Head of the Methodology, Planning and Reporting Service Aivo Vaske.
- 19.11–23.11 Expert from MDF Silvia van der Cammen prepares in the SAO the course of internal trainers of the SAO.
- 21.11 Auditor General Juhan Parts, Head of the Performance Audit Department Raivo Linnas and Head of the Public Relations Service Kadri Mölder visit East Viru County to get locally acquainted with the energy, employment and environmental problems. It is planned to make a tradition of county visits in order to start designing audits focused on separate regions and dealing with the problems of the given region in a complex manner.
- 22.11 The SAO presents a PC that has become superfluous in the course of renovation of the computer system to the society of support to victims of crime “Ohvriabi”.
- 26.11 Auditor General Juhan Parts and Head of the International Relations and Eurointegration Service Rein Söörd meet with the leaders of the supreme audit institutions of Central and Eastern European Countries, Cyprus and Malta, and the European Court of Auditors.
- 26.11–27.11 Roman Kaidashev from the Ukrainian Ministry of Finance is acquainted with the management of the SAO and the work of the audit departments.

December

- 04.12–06.12 Representatives of the UK National Audit Office David Clark and Alex Scharaschkin conduct a performance audit training in the SAO.
- 07.12 The Auditor General meets with Ambassador of the Kingdom of the Netherlands Joanna M. van Vliet. The results of the Dutch programme and further cooperation are discussed.
- 10.12–11.12 Head of the Personnel Service Airi Alakivi and Audit Specialist of the Performance Audit Department Jane Etverk attend the EIPA¹³ seminar in Maastricht, concerning the payment of result-based salaries in the public sector.
- 10.12–13.12 Experts Silvia van der Cammen and Willemien van Otterlo from the Netherlands conduct a training of trainers, involving 12 people from the audit departments, with the aim to train them to become instructors in the SAO's audit training programmes.
- 12.12 The Auditor General meets Stanley A. Horowitz and William Fedorochko from the US Institute for Defence Analysis who conduct a study in the states participating in the MAP programme¹⁴ commissioned by the US Department of Defence.
- 17.12–18.12 Auditor General Juhan Parts, Director of the SAO Peeter Lätti and Advisor of the International Relations and Eurointegration Service Katri Kadakas visit the Netherlands Court of Audit – the principal cooperation partner of the SAO. Juhan Parts awards President of the Netherlands Court of Audit Saskia J. Stuiveling the Medal of the SAO as a token of gratitude for help in developing the SAO into a modern supreme audit institution.
- 19.12 Auditor General Juhan Parts, Audit Specialist of the Performance Audit Department Kairit Peterson and Head of the Public Relations Service Kadri Mölder are on the SAO's county visit to Viljandi County. The meetings involve discussions of the problems of county governments and local governments; the Child Care and Social Centre of Viljandi is visited.

¹³ European Institute for Public Administration

¹⁴ NATO Membership Action Plan



RIIGIKONTROLL

Annual Report 2001

ISSN 1406-7129

Publisher: State Audit Office

Layout: Jaan Klõšeiko

Photographs: A. Truuväärt (Filmari Stuudio)

Printer: AS Pakett Printing House