The economic activities of the foundations SEKR and Innove

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Executive summary

In 1995, the Foundation for Estonian Vocational Education Reform (SA Eesti Kutsehariduse Reform, hereinafter the SEKR) was established, whose purpose was to coordinate, prior to Estonia's accession to the European Union, the use of resources allocated within the framework of the EU and other international programmes concerning vocational education and training and the labour market. In 2003, the Foundation for Lifelong Learning Development Innove (hereinafter Innove) was set up in addition to the SEKR, whose function was to continue the implementation of the programmes and projects undertaken by the SEKR and, as a new function, to perform the tasks of a structural unit for the implementation of structural assistance under the responsibility of the Ministry of Education and Research. In 2004, the functions of the SEKR were gradually transferred to Innove. The transfer is not yet complete, the projects ended or in their final stage were left to the SEKR.

In 2003, EEK 6.5 million was allocated through the state budget to the SEKR and EEK 1.6 million was allocated to Innove and the allocations in 2004 were EEK 30,000 and EEK 7.4 million respectively.

Relevant observations

The State Audit Office (SAO) did not observe any major shortcomings in the economic activities of the SEKR and Innove in the course of audit and the SAO concludes that the foundations have acted in compliance with law and performed the functions assigned to them. No infringements were detected in the utilisation of the budgetary resources by the foundations. Expenses were incurred in relation with the statutory activities of the foundations, the payment of wages and salaries was carried out in accordance with the provisions in contracts of employment, accounting for business trips was sufficient to provide an overview of the purpose of a trip. Financial accounting was in conformity with the general accounting rules of the government and the generally accepted accounting principles.

However, the SAO finds that the termination of the SEKR should be completed in the near future, since the relevant functions and ongoing projects have been assigned to Innove long ago.

The cooperation agreements made between the Ministry of Education and Research and Innove defined the tasks and responsibilities of the foundation in sufficient detail. The purpose for which EEK 1.6 million was allocated to Innove by the Ministry of Education and Research, originally earmarked for setting up a structural unit for the implementation of structural assistance, was changed in a few months. In the opinion of the SAO, the Ministry had not sufficiently analysed the financing needs upon the allocation of funds. The new contract made provision for supporting from these resources the preparations for the set-up of the agency Europass and the development of quality management principles upon the introduction of the qualifications system, however, it was not specified at which institution these entities are to be founded. The SAO regarded the postponement by the Council of Innove of the deadlines for the accomplishment of some of the tasks as debatable.

At the beginning of 2004, the Council of Innove approved of the budget of the foundation in the amount of EEK 23.5 million. In the course of the audit, an amendment was made to the Innove budget and the monies for the programmes/ projects shifting over from the SEKR in the amount of EEK 905,000 were transferred to the Innove budget. For some projects/programmes, large amounts of unused funds had accumulated by the turn of the year from earlier periods.

Major proposals to the Minister of Education and Research

- Review the functioning of the internal audit system of the Ministry in order to ensure that the funds under future agreements are allocated in reasonable amounts and that the obligations assumed by the Ministry are met on time.
- Develop an opinion about the postponement by the Innove's Council of deadlines for works prescribed contract made with the Ministry, without altering the contract thereby.

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The Minister of Education and Research has stated in her reply that the Ministry is taking action for the improvement of the internal controls, paying attention to the issues highlighted by the SAO. The Minister also saw the need to postpone the deadlines specified in the contract made with Innove due to an increased work volume and the complexity of the process. The draft proposal for renewal of contract is under preparation.

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