Audit of the accuracy of the annual accounts 2005 and the legality of the transactions of the Ministry of Education and Research for the purpose of assessment of the consolidated annual report 2005 of the state

Audit report No. OSIII-2-6/06/66 of 24 July 2006

Summary

According to the State Budget Act, the NAO must assess the state's consolidated annual report and the legality of transactions in 2005.

The NAO conducted an audit titled 'Audit of the accuracy of the annual accounts 2005 and the legality of the transactions of the Ministry of Education and Research for the purpose of assessment of the consolidated annual report 2005 of the state' for the purpose of assessing those balances of the annual accounts of the Ministry of Education and Research. In the course of the audit the NAO also relied on the work carried out by the Ministry and internal auditors of the authorities in the area of government.

The important transaction classes from the point of view of the state's annual report included those related to other claims and advance payments, received aids, other aids, management and staff expenditure. The NAO audited all these transaction classes. The NAO also audited the transactions related to revenue.

Not taking into account the effect of the comments on recording investment properties and revaluation of fixed assets given below, according to the NAO, the balances of the audited transaction classes have been accounted accurately in material respects in the annual report of the Ministry of Education and Research as of 31 December 2005.

Comments. In the course of the audit it was identified that the Ministry's accounting does not record as investment properties every building or parts of building given to the use of units not belonging to public sector or to private persons. Dormitories/boarding schools of vocational educational institutions and institutions of professional higher education as well as some residential buildings (apartments) have not been recorded as investment properties.

In the course of auditing the revaluation of state assets it was identified that all objects of fixed assets subject to revaluation had not been submitted for revaluation, in some cases the consolidated data approved by the State Assets Revaluation Committee included double data and accounting mistakes, in some cases the committee had not been persistent in implementing the established methods and the revaluated buildings included apartments that were not taken into account in the course of revaluation and whose cost was not deducted from the total cost of the building.

According to the NAO, the economic transactions included in the sample had been made in compliance with the main legislation regulating them, except for that in the comment of the audit report.

Comment. There were many cases where the authorities in the area of government of the Ministry of Education and Research did not comply with the Public Procurement Act in 2005. There were cases when no public procurement had been organised for the purchase of goods and services, whose yearly cost exceeded the limit laid down in the Public Procurement Act; in some cases the tender was not acquired from at least three sources and the public procurement declaration was not submitted to the register; in other cases the public procurement was organised but the cost of the procurement contract was not complied with.

The Vocational Center of Pärnu County and Luua Forestry School have sold state forest without organising tenders and no transfers had been made into the state budget from the amounts received for the sale.

In addition to the assessment, the main observations regarding the organisation of accounting, accuracy of transactions and functioning of internal audit systems are also given for each audited area, due to the irrelevancy of sums these do not influence the opinion of the NAO regarding the accuracy of audited transaction classes and economic transactions, but refer to the shortcomings in the internal audit system. For the elimination of said shortcomings the NAO has submitted proposals to the Minister of

Education and Research.

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In a letter of reply the Minister of Education and Research gave additional explanations regarding the observations and conclusions made in the draft audit report and informed the NAO of the measures to be implemented to eliminate the shortcomings.

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