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

Audit report No. OSIII-2-6/06/65 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 Social Affairs 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 Social Affairs. 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, holdings in associated entities, tangible assets, short- and long-term appropriations, taxes and social security contributions, received aids, other revenue, social benefits, labour and management costs. The NAO audited all these transactions.

Not taking into account the effect of the comment on the revaluation of assets, 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 Social Affairs as of 31 December 2005.

Comment. The Ministry of Social Affairs did not revaluate the building at an address Lembitu 12, recorded in the balance sheet of the Social Insurance Board.

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. The Ministry of Social Affairs and the authorities in its area of government have concluded contracts for the acquisition of assets under the terms of financial lease, thus violating the State Budget Act.

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 Social Affairs.

According to the NAO, the organisation of accounting in the area of government of the Ministry of Social Affairs improved significantly in 2005, compared to the previous year, although it is still uneven in some authorities and needs further improvement.

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In a letter of reply the Minister of Finance acting as the Minister of Social Affairs concurred with the conclusions and proposals of the NAO and gave an overview of the planned actions and of those that are already under way. The Minister also stated that cooperation with the NAO helps to improve the level of accounting as well as enhance internal audit system.

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