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

Audit report No. OSI-2-6/06/64 of 20 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 Finance 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 Finance.

The important transaction classes from the point of view of the state's annual report included those related to currency and bank accounts, financial investments, taxes (incl. tax income, tax claims and tax liabilities), holdings of public sector and associated entities, transactions regarding loans, targeted financing, appropiations and reserves, and other revenue, labour costs and other operational expenditure (incl. management costs and other expenses). The NAO audited all these transaction classes, except for holding of public sector and related entities, taxes, other revenue, labour costs and other operational expenditure, which were audited by the Internal Audit Department of the Ministry of Finance in cooperation with an external auditor. In the abovementioned areas, the NAO relies on the assessment of internal and external auditors.

- **According to the NAO the economic transactions included in the sample had been made in compliance with the main legislation regulating them.**
- **Not taking into account the effect of the comments 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 Finance as of 31 December 2005.**

Similarly to the previous year, the NAO comments on the fact that neither the Ministry of Agriculture nor the Ministry of Finance have recorded in their annual accounts the obligation to pay 714,834,760 kroons to the budget of the European Union for surplus stock. As the Ministry of Agriculture has not recorded the obligation in its 2005 annual accounts and the Ministry of Finance is responsible for the preparation of the consolidated annual report of the state, the NAO is of the opinion that the obligation should have been recorded in the balance sheet of the Ministry of Finance.

Ines Metsalu
Chief Auditor
Audit Department I