National Audit Office’s opinion on the Annual Accounts 2005 of the Baltic Defence College

Audit report No. OSII-2-6/06/77 of 24 August 2006

Introduction

On the basis of the annual work schedule for 2006 the National Audit Office audited Annual Accounts 2005 of the Baltic Defence College (hereinafter also the College). The audit was carried out between June 19 and June 30, 2006.

The purpose of the audit was to express an opinion on the Annual Accounts 2005 of the Baltic Defence College. The audit is based on the accounting information as of 31 December 2005.

The audit was carried by Audit Manager Õie Soovik.

Overview

The Baltic Defence College has been founded on the basis of an agreement signed between the Governments of the Republic of Estonia, Republic of Latvia and Republic of Lithuania on 12 June 1998. The main goals of the College are as follows: to increase the cooperation capacity of the states by improving the training of staff officers and the leading personnel of the defence forces and defence ministries, to support the development of staff officers and to promote further introduction of democratic principles of management and development of national concepts of total defence.

The financing, accounting and auditing principles of the College have been set out in the Memorandum of Understanding made by and between the Baltic States (hereinafter the Memorandum). Thus, the College organises its accounting pursuant to the legislation of the Republic of Estonia, which are supported and specified by the accounting policies and procedures of the College.

Competence of the National Audit Office

The Baltic States financing the College consider the auditing of the College to be the duty of the Estonian state, as specified in the Memorandum. However, the Memorandum signed by the Defence Ministers of the three Baltic States is not a document which could impose such a duty on the National Audit Office. However, at the College’s request the National Audit Office audited the Annual Accounts of the Baltic Defence College. The National Audit Office has audited the Annual Accounts of the College every year as of 2001.

Basic criteria of the audit

Upon expressing the opinion the National Audit Office relied on the following basic criteria:

- the transactions have been accounted correctly in terms of substance and arithmetic;
- the assets and liabilities actually belong to the College;
- the assets and liabilities are real;
- the assets and liabilities have been duly evaluated;
- The revenue and expenditure has been accounted pursuant to the accrual method, in the right period and in full;
- the organisation of the College’s accounts complies with the requirements established in the Accounting Act, regulations of the Minister of Finance and generally accepted accounting principles applicable to public institutions in Estonia.

As a result of the audit the National Audit Office has not given an overall assessment of the financial management or internal control systems, but has pointed out main observations regarding the detected deficiencies. The National Audit Office did not evaluate the purposefulness or effectiveness of the College’s expenditure.

Compliance with standards

The National Audit Office carried out the audit in compliance with the INTOSAI audit standards. These standards require that the audit be planned and carried out in a manner, which allows for deciding with sufficient confidence that the annual accounts do not contain major errors or inaccuracies. During the audit the National Audit Office examined at random the evidence, which serves as the basis for the figures given in the annual accounts. The audit also included an analysis of the accounting principles and accounting assessments of the management used upon drawing up the accounts. The audit provides a sufficient basis for expressing an opinion on the annual accounts of the College.

Liability for correctness of the accounts

Algis Vaiceliunas, the Head of the College, and Jana Lundblad, the Chief Accountant, are liable for drawing up the accounts and the correctness of the information contained therein.

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