Audit of the accuracy of the annual accounts 2006 and the legality of the transactions of the Ministry of Agriculture for the purpose of assessment of the aggregate annual report of the state

National Audit Office's report to the Riigikogu, Tallinn, 10 July 2007

The National Audit Office's assessment, comments and observations of the accuracy of the audited transaction categories in the annual accounts and the legality of transactions

There are mistakes in accounting the audited transaction classes in the annual accounts.

1. According to the National Audit Office, the audited balances of the transaction classes have been accounted accurately in the annual accounts of the Ministry of Agriculture as of 31.12.2006 in the material respects, except for the comment on accounting receivables in section 3.

2. In the course of assessment of the accuracy of the indicators of the annual accounts of the Ministry of Agriculture the National Audit Office assessed the compliance of the transaction classes that are of importance from the point of view of the aggregate annual report of the state (see the Table, p. 16) with the Accounting Act, relevant regulations of the Minister of Finance and the accounting principles generally accepted in Estonia.

Receivables have not been written down or declared irrecoverable.

3. The Agricultural Registers and Information Board (hereinafter the ARIB) has accounted in the balance sheet of the agency such receivables, which should have been declared uncollectible or irrecoverable, in the amount of EEK 13,761,055.

- According to the National Audit Office, the recoveries of the area-related aid suspended by a decision of the Minister of Agriculture in the amount of EEK 7,801,639 are uncollectible.
- The National Audit Office finds that recoveries of targeted financing and cofinancing in the amount of EEK 5,959,416 from companies which had been declared bankrupt and liquidated are irrecoverable.

4. According to the General Rules for State Accounting, the collectability of receivables must be assessed at least at the end of each quarter, taking into account the circumstances known by the balance sheet date as well as those which have become evident by the time of preparation of the report, which may affect accrual of the receivable. According to the National Audit Office, by not writing the receivables down or declaring them irrecoverable the ARIB has not adhered to the general rules.

5. Recommendations of the National Audit Office to the Minister of Agriculture:

- To ensure assessment of claims in compliance with the accounting principles generally accepted in Estonia.
- In cooperation with the ARIB, to decide on waiver of the recoveries of area-related aid or to restart recovering them.

Reply of the Ministry of Agriculture: We agree with your comments on assessment of receivables. The Agricultural Registers and Information Board has reduced the receivables of aid, taking into account the aforementioned and based on the court judgments of April 2007. The decision on the waiver or recovery of the area-related aid shall be made not later than by October 15 (incl.).

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