

The opinion of the NAO on the 2006 annual accounts of the Baltic Defence College

NAO report to the Riigikogu, Tallinn, 22 August 2007

NAO's comments and opinion on the annual accounts of the College

Assets which should be recognised as fixed assets have been expensed

1. The Baltic Defence College has expensed a piano worth EEK 421,478, which should be recognised as a fixed asset item, according to the NAO.

2. On 02.07.2006, the Baltic Defence College ("College") acquired a piano costing EEK 421,478 (excluding VAT) from AS Estonia Klaverivabrik which was to remain at the disposal of the College and of the Combined Educational Institutions of the Defence Forces ("CEIDF") located in the same building. According to the explanations, the Headmaster of the College, the Headmaster of the CEIDF and the Commander of the Defence Forces agreed that the CEIDF would pay half of the piano's cost and that it would be recognised on its balance sheet. Therefore, the College expensed the piano after acquisition. At the time of audit, the invoice amounting to EEK 210,700 submitted by the College to the CEIDF was outstanding. The NAO finds that the piano should be recognised as a fixed asset item of the College and depreciated until it is transferred to the balance sheet of the CEIDF.

3. **NAO's recommendation to the Headmaster of the College:** To recognise the piano as a fixed asset item and accordingly adjust the balances in the annual accounts as at 01.01.2007. To enter into a contract of use with the CEIDF upon the transfer of the piano.

Reply from the College Headmaster : The Baltic Defence College accepts the NAO's recommendation to recognise the piano as a fixed asset item and accordingly adjust the balances in the annual accounts as at 01.01.2007. We also accept the recommendation to enter into a contract of use with the CEIDF once the piano is transferred to the CEIDF.

The annual accounts are accurate in the material part

4. Given the scope of the audit and disregarding the potential effect of the circumstances described in paragraph 1 of the audit report, the annual accounts, which demonstrate a loss of EEK 906,714 for 2006 for the Baltic Defence College and a balance sheet total of EEK 13 568 772 as at 31.12.2006, comply in material part with the accounting principles of the Republic of Estonia.

Ülle Madise
Director of Audit
Audit Department II