

Accuracy of Annual Accounts 2011 and legality of transactions of the Ministry of Economic Affairs and Communications

Report of the National Audit Office to the Riigikogu, Tallinn, 25 June 2012

Summary of audit results

The State Budget Act assigns the National Audit Office the obligation to audit the accounting and the legality of transactions of ministries. The National Audit Office audited the accuracy of the Annual Accounts 2011 of the Ministry of Economic Affairs and Communications and the conformity of the transactions it entered into with legislation that regulates the use of the state budget.

The National Audit Office also evaluated whether the ministry and its area of government have developed an effective internal audit system that creates the conditions required for the correct use of funds allocated for investments and labour costs, and for the existence and prudent use of assets. The National Audit Office also paid attention to whether the main principles of the Public Procurement Act had been adhered to.

The budgetary expenses of the ministry in 2011 were 0.6 billion euros, and the balance sheet total as of 31 December 2011 amounted to 3.9 billion euros.

The main conclusions of the National Audit Office are the following:

- The Annual Accounts of the Ministry of Economic Affairs and Communications, in all material respects, give a true and fair view of its financial position and financial performance.
- Support services in the whole ministry and its area of government were centralised into a central agency from 1 January 2011, and SAP software is now used to keep accounts. The National Audit Office is of the opinion that the organisation of financial and human resources accounting in the area of government has deteriorated as a result of this.
- The Road Administration and its local agencies were reorganised and merged into a single agency in the beginning of 2011, but regions remained relatively independent. Activities (e.g. monitoring the execution of the budget) in the administration and in regions should be merged and harmonised further in order to manage the activities of the Road Administration more efficiently.
- The audited significant transactions have been carried out in compliance with the State Budget Act, the 2011 State Budget Act and the Act Amending the 2011 State Budget Act, except for the entry into such leasing contracts with which the administration has entered into obligations that had not been calculated among financing transactions by the agencies in the area of government when the budget was prepared.
- The ministry had used the funds allocated for investments and labour costs for their intended purpose to the audited extent, except for the use of revenue generated by economic activity for payment of labour costs like in previous years.
- The ministry and the agencies in its area of government have generally acted prudently and according to the applicable rules in acquiring, using and transferring intangible and tangible assets. The Public Procurement Act had not always been complied with.
- The Ministry of Economic Affairs and Communications is responsible for the performance of the three agreements about trading in Estonia's unused CO₂ emission quotas, but it has no internal

procedure about exchanging notices on the use of funds and on supervision of the performance of agreements regarding trade in quotas.

■ The contract for designing the icebreaker of the Maritime Administration was extended until the end of 2015. The opinion of the National Audit Office is that the Ministry of Economic Affairs and Communications has not behaved sparingly or prudently with state assets when extending the icebreaker design contract, because economic damage in the amount of 145,000 euros was caused to the state with this transaction and it is possible that another 150,000 euros worth of damages will be suffered if the contract is cancelled.

■ The Ministry of Economic Affairs and Communications has not complied with all of the recommendations made in the previous year: the introduction of a road maintenance information system is still delayed; there are still omissions in the state duty transaction information system of the Road Administration; and the risk arising from a prohibited subordination relationship in the Eastern region of the Road Administration has still not been managed.

Response of the Minister of Economic Affairs and Communications: The minister agreed with almost all of the recommendations made by the National Audit Office and promised to start complying with the recommendations made in the previous year. Regardless of this, the minister is awaiting clear instructions from the Ministry of Finance regarding the planning of costs associated with leasing contracts in the budget and the use of revenue generated by economic activities. The minister did not agree with the recommendation to consider termination of the contract entered into between the Maritime Administration and the designer, as he finds that it is important to use the existing technical solution in the construction of the new icebreaker.

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