Accuracy of Annual Accounts 2011 and legality of transactions of the Ministry of the Environment

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 the Environment 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 403 million euros, and the balance sheet total as of 31 December 2011 amounted to 1.6 billion euros.

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

■ The National Audit Office made a remark about the provision formed for the reconditioning of landfills that was incorrectly recognised in the balance sheet of the ministry in the amount of 12.8 million kroons.

■ Without considering the impact of the aforesaid remark, the Annual Accounts of the Ministry of the Environment, in all material respects, give a true and fair view of the ministry's financial position and financial performance.

■ 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. The funds allocated to the ministry for investment and labour costs were generally used for their intended purpose in the audited transactions.

■ The ministry and the agencies in its area of government have acted prudently and according to the applicable rules in acquiring intangible and tangible assets. The Public Procurement Act was also followed in most of the cases.

■ In the previous year the National Audit Office pointed out that state forest has been recognised in the State Forest Management Centre since 2010; the state forest accounting principle has changed, but the premises of the methodology for evaluation of the state forest have not been met; forest held for non-commercial purposes is not recognised in the balance sheet and not all of the required information has been disclosed in the annual report. The minister had not complied with all of the recommendations made by the National Audit Office in the previous year: state forest is recognised in the balance sheet of the State Forest Management Centre and the methodology of forest accounting has not been amended or updated.

Response of the Minister of the Environment: The minister maintained a dissenting opinion on the recognition of the provision and found that its recognition in the balance sheet is justified. The minister also did not agree to change the accounting policies and procedures of recognition used in the Annual Accounts of the SFMC, pursuant to which the accounts of the SFMC would be consolidated into the Annual Accounts of the Ministry of the Environment on a line-to-line basis like state agencies. The minister is also of the opinion that the Annual Accounts of the ministry disclose sufficient information about the state forest and land under the forest. The minister agreed with the remaining recommendations and highlighted the measures that will be taken.

Ines Metsalu
Director of Audit, Financial Audit Department