Accuracy of Annual Accounts 2011 and legality of transactions of the Ministry of Social Affairs

Report of the National Audit Office to the Riigikogu, Tallinn, 27 June 2012

Summary of audit results

The State Budget Act assigns the National Audit Office the obligation to audit the correctness of 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 Social Affairs 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 2.6 billion euros, and the balance sheet total as of 31 December 2011 amounted to 227 million euros.

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

■ The Annual Accounts 2011 of the Ministry of Social Affairs, in all material respects, give a true and fair view of the ministry's financial position and financial performance and cash flow for the year ended.

■ The accounting of the Health Board and the State Agency of Medicines was centralised into the accounting unit of the Ministry of Social Affairs from 1 November 2011, and SAP business software is now used to keep accounts. The National Audit Office is of the opinion that the expected efficiency has not yet been achieved, as the reorganisation has not been completed to the intended extent yet.

■ The audited most 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 in the 2011 state budget for investment and labour costs were used for their intended purpose in the audited transactions.

■ Asset accounting is on a good level in the ministry, but there are omissions regarding receivables and payables.

■ The Public Procurement Act was generally followed when items were purchased and when services were ordered.

Response of the Minister of Social Affairs: The minister agreed with the National Audit Office's recommendation to amend the internal accounting procedures of the area of government and to consider the need to obtain reports suitable for accounting when the new information system for the calculation of benefits is created. The ministry also intends to specify the calculation principles of social welfare benefits in the General Rules of State Accountancy.

The ministry plans to organise an ISKE audit of the national pension insurance register in the second half of 2012.

The minister does not agree with the National Audit Office's opinion that the active model of financial accounting in the area of government is too general.

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