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

Report of the National Audit Office to the Riigikogu, Tallinn, 3 July 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 the Interior 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 416 million euros, and the balance sheet total as of 31 December 2011 amounted to 555 million euros.

The main conclusions of the National Audit Office are the following:
■ The Annual Accounts of the Ministry of Finance, in all material respects, give a true and fair view of the ministry's financial position and financial performance results.
■ The ministry has started eliminating the omissions found in the internal control system last year, but the National Audit Office found still found problems this year (accounting of fine revenue and receivables), which suggests that it is necessary to improve the performance of the internal control system and software even further in the agencies operating in the Ministry of the Interior's area of government.
■ 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 for the investments and labour costs of the Ministry of the Interior have been used purposefully.
■ Asset accounting in the ministry is good and the preservation of assets in the ministry is guaranteed.
■ The Public Procurement Act had not always been complied with: procurement procedures were not organised and public procurement reports were not submitted in some cases.

Response of the Minister of the Interior: The minister agrees with the recommendation made by the National Audit Office. In his response, the minister explained that the accounting principles established by the Ministry of Finance were used to revaluate the assets that were transferred to RKAS.

Response of the Minister for Regional Affairs: According to the public procurement procedure of the area of government of the Ministry of the Interior, public procurements are organised on the basis of a public procurement plan since 2012. The plan must be approved by the head of the agency (incl. county governor) at the start of the year and send it to the Legal and Administrative Department of the Ministry of the Interior for their information. The procurement plan must comply with the Public Procurement Act. The minister admits that delays in the submission of procurement reports are generally not justified.

Response of the Director General of the Police and Border Guard Board: The Director General agrees that it is necessary to continue checking the performance of information systems and to pay more attention to improving the quality of data. For this purpose the Police and Border Guard Board have prepared a plan for checking the data in the procedural information system, whose performance deadline is in 2013.

Response of the Minister of Justice: Several developments have been made in the information system of courts and the e-file to improve the compliance of the information system with other information systems. These applications are due to be implemented in 2013.

Response of the Minister of Finance: The Ministry of Finance has analysed the valuation methods used by experts in the valuation of assets and came to the conclusion that it is necessary to develop requirements that determine how an expert must valuate the assets of a state agency that are about to be transferred to AS Riigi Kinnisvara or other legal entities. However, the minister is still of the opinion that in the case of a difference in the book value of assets and the revaluated value, the write-down must be recognised by the former owner of the assets and not by the ministry that controls the new owner of the assets.

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