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

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 accounting and the legality of transactions of ministries. The National Audit Office audited the accuracy of the Annual Accounts 2011 of the Ministry of Justice 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 100 million euros, and the balance sheet total as of 31 December 2011 amounted to 117 million euros.

The main conclusions of the National Audit Office are the following:
■ The Annual Accounts 2011 of the Ministry of Justice, 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 organisation of accounting in the ministry and in the agencies within its area of government is good.
■ 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.
■ Failure to amend the lease contract of Viru Prison concluded in 2007 is economically detrimental to the Ministry of Justice.
■ Asset accounting in the ministry is good and the preservation of assets in the ministry is guaranteed.
■ The Public Procurement Act was generally followed when items were purchased and when services were ordered.

Response of the Minister of Justice: In his response the minister explains that the financial accounting of the Ministry of Justice is carried out by the Ministry of Justice pursuant to the cooperation contract made by the Ministry of Justice and the Ministry of Finance on 29 December 2011. This means that in the minister's opinion, the proposals made by the National Audit Office about the accounting principles used in the revaluation of the assets transferred to Riigi Kinnisvara AS are aimed directly at the Ministry of Finance.

The Ministry of Justice is of the opinion that all of the assets recognised in the balance sheet as construction in progress are necessary for the achievement of the ministry's goals.

Response of the Minister of Finance: The Ministry of Justice has analysed the valuation methods used by experts in the valuation of assets and it came to the conclusion that it is necessary to develop and establish requirements that determine how the method suitable for the valuation of assets is chosen. 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 entity that has control over the recipient of the asset.

Ines Metsalu
Director of Audit, Financial Audit Department