

Accuracy of Annual Accounts 2012 and legality of transactions of the Ministry of Defence

Report of the National Audit Office to the *Riigikogu*, Tallinn, 30 June 2013

Summary of audit results

The State Budget Act assigns the National Audit Office the obligation to audit the accounting and transactions of ministries. The National Audit Office audited the accuracy of the Annual Accounts 2012 of the Ministry of Defence 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 of Defence and its governing area 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 of Defence in 2012 were 341.4 million euros, and the balance sheet total as of 31.12.2012 amounted to 439.6 million euros.

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

- The Annual Accounts of the Ministry of Defence give a true view of its financial status, performance results for the reporting period and cash flow in all material aspects.
- The level of organisation of accounting in the Ministry of Defence is good.
- The audited most significant transactions of the Ministry of Defence have been carried out in compliance with the State Budget Act, the 2012 State Budget Act and its amendment act. The funds allocated in the 2012 state budget for investment in fixed assets and labour costs were used for their intended purpose in the transactions audited.
- The organisation of the acquisition and use of assets in the Ministry of Defence is at a good level, except for the condition that some apartments belonging to the Defence Forces are still being used under conditions that are unfavourable for the state.
- There are problems in the organisation of the public procurements of the Ministry of Defence.

Response of the Minister of Defence and the Commander of the Defence Forces:

The Commander of the Defence Forces explained that the residential premises are required for the performance of nation defence duties and gave the reasons why persons who do not belong to the Defence Forces are allowed to use them temporarily.

The Minister of Defence Agreed with the suggestion to update the internal control system of mobilisation stockpile calculation. The Minister also agreed with the recommendation to prepare an overview of exceptional procurements for the management. The Minister did not think that having all procurements organised by the procurement department would be practical.

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