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

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 the legality of transactions of ministries. The National Audit Office audited the accuracy of the Annual Accounts 2012 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 2012 were 244.5 million euros, and the balance sheet total as of 31.12.12 amounted to 1.47 billion euros.

What did we find and conclude as a result of the audit?

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

- The 2012 Annual Accounts of the Ministry of the Environment give a true view, in all material respects, of the financial position, performance result and cash flow of the Ministry.

- Although the opinion of the National Audit Office on the annual accounts is not a qualified one, the recognition of the value and the accounting policies and procedures of state forests are not suitable for the annual accounts of the Ministry as the nature of the assets has not been taken into account.

- As from 2010 the National Audit Office has been criticising the method of accounting state forests and the fact that there is no information about the assets administered by the minister of the environment in the annual accounts of the Ministry. The National Audit Office continues to be of the opinion that the accounting policies and procedures of state forests are not suitable for state assets and state forests as important resources must have been recognised in the annual accounts of the Ministry.

- Important transactions audited have been carried out in compliance with the State Budget Act, the 2012 State Budget Act and the Act Amending the 2012 State

Budget Act. The Ministry has used the money allocated for investments and labour costs purposefully within the audited part.

■ In acquiring intangible and tangible assets the Ministry and agencies within its governing area have acted prudently and according to the applicable rules. Similarly, the Ministry has mostly adhered to the Public Procurement Act, except single unperformed procurement procedures.

Response of the Minister of the Environment: The minister agreed to all the recommendations of the National Audit Office, except the line-by-line consolidation of the State Forest Management Centre into the accounts of the Ministry.

/digitally signed/

Ines Metsalu

Audit Director, Financial Audit Department

Eeli Lääne

Certified Public Sector Auditor