

Accuracy of Annual Accounts 2012 and organisation of accounting of the Ministry of Foreign Affairs

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

Accuracy of Annual Accounts

The Annual Accounts of the Ministry of Foreign Affairs are accurate in all material respects

1. The Annual Accounts of the Ministry of Foreign Affairs that indicate the result for 2012 as -39.1 million euros and total assets as of 31.12.2012 as 92.5 million euros, give in all material respects a true and fair view of the Ministry's financial position and financial performance and cash flow for the year ended in accordance with the Generally Accepted Accounting Principles of Estonia.

2. The level of organisation of accounting in the Ministry of Foreign Affairs is good in the opinion of the National Audit Office. Procedures regulating accounting are up-to-date and their performance is monitored.

Legality of transactions of the Ministry of Foreign Affairs

Legality of transactions

The Ministry of Foreign Affairs has complied with the State Budget Act

3. The budgetary expenses of the Ministry of Foreign Affairs in 2012 amounted to 53.1 million euros. The National Audit Office is of the opinion that the transactions of the Ministry 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.

4. The Annual Accounts of the Ministry of Foreign Affairs contain the indicators of the Estonian Foreign Policy Institute. Their Annual Accounts were assessed by certified auditors, who audited the Annual Accounts but not the legality of transactions. The Certified Auditor is of the opinion that the Annual Accounts of the Estonian Foreign Policy Institute give in all material respects a true and fair view of the Institute's financial position as at 31 December 2012 and the financial performance and cash flow for the year ended in accordance with the Accounting Act and Generally Accepted Accounting Principles of Estonia.

Use of budget

The Ministry of Foreign Affairs has used the allocated funds appropriately.

5. The National Audit Office audited whether the organisation of work and the internal control system of the Ministry of Foreign Affairs provide an adequate basis for the purposeful use of the funds allocated for investments and labour expenses, and audited the functionality of the system on a random basis.

6. The investments of the Ministry of Foreign Affairs amounted to 7.5 million euros in 2012 and were made appropriately to the audited extent.

7. The labour expenses of the Ministry of Foreign Affairs amounted to 12.4 million euros in 2012 and were incurred appropriately to the audited extent.

Acquisition and use of assets

The organisation of acquisition and use of assets is good

8. The auditors of the National Audit Office examined the procedures that regulate stock-taking and the documents of the stocktakes carried out at the end of 2012. The auditors also audited the acquisition and sale of assets. On the basis of the above, the National Audit Office finds that the organisation of acquisition and use of assets is at a good level.

The Ministry of Foreign Affairs has generally complied with the Public Procurement Act

Organisation of public procurements

9. The National Audit Office audited the Ministry's acquisitions, including adherence to the Public Procurement Act in the Ministry. The National Audit Office thereby focussed on the Ministry's internal control system in regard to the public procurement procedure, and assessed whether the procurements carried out in the case of certain selected transactions complied with the Public Procurement Act and the internal work procedures of the Ministry. Compliance of the procedure established by the Ministry with the Public Procurement Act was also assessed and the adequacy of the procedure was analysed.

10. The National Audit Office did not find any cases in which procurements above the marginal rate had not been organised in 2012.

11. The following important aspects are not regulated in the public procurement procedure of the Ministry of Foreign Affairs:

- the formation and tasks of a public procurement committee;
- issues related to the documentation of public procurements (incl. procurement documents, work of the procurement committee etc.);
- communication with tenderers or applicants;
- monitoring the performance of procurement documents;
- principles of organising procurements below the marginal rate of public procurement.

12. The National Audit Office is of the opinion that the institution's procurement organisation guidelines need to be amended to guarantee the successful organisation of procurements and awareness of the organisers of procurements of the requirements set for procurement procedures. A detailed description of the shortcomings is given in the memorandum of the National Audit Office on the results of the audit of Annual Accounts 2012 of the Ministry of Foreign Affairs and the legality of its transactions.

13. Recommendation of the National Audit Office to the Minister of Foreign Affairs: to guarantee effective organisation of procurements and minimise the risks related to the organisation of procurements, incl. amend the internal procurement organisation guidelines of the Ministry.

Response of the Ministry of Foreign Affairs: the public procurement procedure is being amended and updated, taking into account the observations made by the National Audit Office.

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