

National Audit Office's opinion on the annual accounts 2015 of the Baltic Defence College

Report of National Audit Office for the
Commandant of the Baltic Defence
College and the Ministerial Committee,
Tallinn, 6 September 2016

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Accuracy of the annual accounts 2015 of the Baltic Defence College

Accuracy of the annual accounts

The annual accounts of the Baltic Defence College are accurate in all material respects

1. The annual accounts of the Baltic Defence College, according to which the return for 2015 amounts to 154 392 euros, with a value of assets as of 31.12.2015 of 1 965 425 euros, give in all material respects a true and fair view of the Baltic Defence College's financial status and performance results and cash flow during the completed accounting period, in accordance with the generally accepted accounting principles of Estonia.

Organisation of accounting

No major shortcomings were found in the organisation of accounting in the Baltic Defence College

2. The National Audit Office is of the opinion that accounting is organised at a good level and no major shortcomings were identified in the accounting for 2015 of the Baltic Defence College during its audit.

Use of budget

No non-purposeful use of money allocated to the Baltic Defence College was found

3. The budgetary expenditure of the Baltic Defence College in 2015 amounted to 1 727 858 euros. The National Audit Office audited whether the organisation of work and the internal control system of the institution provide an adequate basis for the purposeful use of the allocated funds, and audited the functionality thereof on a random basis.

4. The National Audit Office is of the opinion that the preconditions for a well-functioning internal control system have been created and in the case of the money allocated to the Baltic Defence College no non-purposeful use was found in the audited scope.

/Signed digitally/

Krista Zibo
Audit Director,
Financial Audit Department

Response of the Commandant of the Baltic Defence College to the Report of the National Audit Office

The National Audit Office made no recommendations to the Baltic Defence College as a result of the audit, as the errors that were found are not significant from the viewpoint of giving an opinion on the accuracy of the financial statements of the Baltic Defence College. Commandant of the Baltic Defence College sent his response to the report on 6. September 2016.

General comments of Commandant of Baltic Defence College on audit report

The Commandant of the Baltic Defence College would like to thank the National Audit Office Audit Team members for their thorough and professional cooperation. The advice and the comments given during the audit process helped the Baltic Defence College and will help the organisation in the future.

Overview of the Baltic Defence College

The Baltic Defence College was established on the basis of an agreement entered into between the Government of the Republic of Estonia, the Government of the Republic of Latvia and the Government of the Republic of Lithuania on 12 June 1998. The main objectives of the College are to increase the interoperability of the countries by improving the training of staff officers and the leading personnel of the Defence Forces and the Ministries of Defence, support the development of the staff officers' corps and contribute to the further introduction of democratic management principles in the armed forces and the development of the national concepts of total defence.

The financing, accounting and auditing principles of the College were set forth in the Memorandum of Understanding entered into by the Baltic States. Proceeding from the Memorandum, the College organises its accounting according to the legislation of the Republic of Estonia, and a more detailed specification of accounting is provided in the accounting policies and procedures of the College.

Major General Vitalijus Vaikšnoras was the Commandant of the Baltic Defence College during the audited period. Major General Andis Dilāns became the Commandant on 8 August 2016. The persons responsible for the preparation of the annual accounts and for the accuracy of the information therein are Commandant of the College and Chief Accountant Merike Jõesaar.

Characteristics of the audit

Reason and objective of audit

The Baltic States have entered into the "Memorandum of Understanding about the Activity, Management and Financing of the Baltic Defence College". The Memorandum stipulates that the National Audit Office is obliged to audit the annual report of the Baltic Defence College and give its opinion on the annual report every year.

The purpose of the audit is to express an opinion on the accuracy of the 2015 financial statements of the Baltic Defence College. The financial statements of the Defence College consist of the balance sheet as of 31 December 2015, income statement, cash flow statement and statement of changes in owners' equity for the financial year, a summary of the accounting policies and procedures used in preparing the financial statements and other explanatory notes.

Scope and focus of audit

In the course of giving an opinion on the accuracy of the annual accounts 2015 of the Baltic Defence College, the National Audit Office assessed the compliance of the annual accounts with the generally accepted accounting principles of Estonia. Generally accepted accounting principles are based on internationally recognised accounting policies and procedures (EU directives on accountancy, international standards of financial accounting and international standards of state accountancy) and their main requirements are established in the Accounting Act of Estonia, which are supplemented by the guidelines issued by the Accounting Standards Board.

The National Audit Office performed the audit in accordance with the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI), which regulate the auditing of financial statements as well as the regularity of transactions within the scope of auditing financial statements. These standards require that an audit be planned and performed in a manner that makes it possible to decide with sufficient assurance that the financial statements are free of material misstatements.

During the audit, evidence was collected about the figures presented and the information disclosed in the annual accounts. In order to plan the relevant audit operations, the National Audit Office took into

account the internal audit system introduced to prepare true and fair financial statements without expressing an opinion on the efficiency of the internal control. The relevance of the accounting principles and procedures used, the justification of the accounting assessments made by the management and the general manner of presentation of the annual accounts were also assessed in the course of the audit. The National Audit Office is of the opinion that the audit provides a sufficient basis for expressing an opinion on the accuracy of the annual accounts.

Minor errors whose impact is not significant are not recognised in the report. The need to eliminate such shortcomings was pointed out to the auditee during the audit.

Assessment criteria

In expressing its opinion on the annual accounts, the National Audit Office relied on the following criteria:

- assets and liabilities exist as at 31 December 2015;
- assets and liabilities belong to the institution as at 31 December 2015;
- transactions were conducted or events took place in 2015;
- all assets, liabilities, transactions and events have been recognised and indicators have been disclosed;
- assets and liabilities are recognised at the correct value;
- transactions or events have been recognised in the correct amounts, and revenues and expenses have been entered in the correct period;
- indicators have been disclosed, classified and described in accordance with the generally accepted accounting principles; and
- the numeric information given in the management report, which arises from the financial statements, has been recognised in the correct amounts.

Time of completion of audit

The audit was completed in August 2016.

Audit team

Project Manager Certified Public Sector Auditor Alina Green and Senior Auditor Kristi Kährin.

Contact information

For further information on the audit, please contact the Communication Service of the National Audit Office on +372 640 0704 or +372 640 0777 or e-mail riigikontroll@riigikontroll.ee.

An electronic copy of the audit report (PDF) is available online at www.riigikontroll.ee.

The number of the draft audit report in the record management system of the National Audit Office is 2-1.8/16/60143/7-2.

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Previous financial audits conducted by the National Audit Office in the Baltic Defence College

16 September 2015 – **Opinion of the National Audit Office on the 2014 Financial Statements of the Baltic Defence College**

18 November 2014 – **Opinion of the National Audit Office on the 2013 Financial Statements of the Baltic Defence College**

7 November 2013 – **Opinion of the National Audit Office on the 2012 Financial Statements of the Baltic Defence College**

3 October 2012 – **Opinion of the National Audit Office on the 2011 Financial Statements of the Baltic Defence College**

7 October 2011 – **Opinion of the National Audit Office on the 2010 Financial Statements of the Baltic Defence College**

11 November 2010 – **Opinion of the National Audit Office on the 2009 Financial Statements of the Baltic Defence College**

16 September 2009 – **Opinion of the National Audit Office on the 2008 Financial Statements of the Baltic Defence College**

25 September 2008 – **Opinion of the National Audit Office on the 2007 Financial Statements of the Baltic Defence College**

All reports are available on the website of the National Audit Office at www.riigikontroll.ee.