National Audit Office's opinion on the annual accounts 2017 of the Baltic Defence College

Report of National Audit Office for the Commandant of the Baltic Defence College and the Committee of Ministers
Tallinn, 4 October 2018

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Accuracy of financial statements 2017 of the Baltic Defence College

Accuracy of financial statements

The financial statements of the Baltic Defence College are accurate in all material respects

1. **The annual accounts of the Baltic Defence College according to which the result for 2017 is -105,157 euros and the total assets as at 31 December 2017 amount to 1,639,327 euros give, in all material respects, a true and fair view of the institution's financial position, financial performance and cash flow for the year ended in accordance with the Financial Reporting Standard of Estonia.**

Organisation of accounting

No major omissions 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 found no major omissions in the accounting for 2017 of the Baltic Defence College during its audit.

Budget use

The money allocated to the Baltic Defence College has been used for its purpose

3. The budgetary expenditure of the Baltic Defence College in 2017 amounted to 2,034,280 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 of both 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 no abnormal use of the money allocated to the Baltic Defence College was detected during the audit.

/signed digitally/

Ines Metsalu-Nurminen
Director of audit

Response from 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. The Commandant of the Baltic Defence College sent his response to the report on 21 September 2018.

General comments of the Commandant of the Baltic Defence College on the 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 were relevant and will help the Baltic Defence College 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 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 Andis Dilāns was the Commandant of the Baltic Defence College during the audited period. The persons responsible for the preparation of the financial statements and for the accuracy of the information therein are the Commandant of the College and Chief Accountant Merike Jõesaar.

Characteristics of 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 2017 financial statements of the Baltic Defence College. The financial statements of the Defence College consist of the balance sheet as of 31 December 2017, 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 2017 financial statements of the Baltic Defence College, the National Audit Office evaluated the compliance of the financial statements with the Financial Reporting Standard of Estonia.

The National Audit Office performed the audit in accordance with the Audit 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 misstatement.

During the audit, evidence was collected about the figures presented and the information disclosed in the financial statements. 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 audit. 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 financial statements 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 financial statements.

The report does not include minor audit findings whose impact is not significant. The need to eliminate such shortcomings was pointed out to the auditee in a memo sent to them and during the audit.

Assessment criteria

In expressing its opinion on the financial statements, the National Audit Office relied on the following criteria:

- assets and liabilities exist as at 31 December 2017;
- assets and liabilities belong to the institution as at 31 December 2017;
- transactions were conducted or events took place in 2017;
- 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 Financial Reporting Standard; 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 2018.

Audit team

Audit Manager Ingrid Hindrikson, Senior Auditor Marlen Pärmann and auditor Hanna-Marleen Penno.

Contact information

Further information on the audit is available from the Communication Unit of the National Audit Office: telephone: +372 640 0704 or +372 640 0777; e-mail: riigikontroll@riigikontroll.ee

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

The audit report is also available in English.

The number of the audit report in the internal records system of the National Audit Office 2-1/80017/6.

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

25 September 2017 – **Opinion of the National Audit Office on Financial Statements 2016 of the Baltic Defence College**

6 June 2016 – **Opinion of the National Audit Office on Financial Statements 2015 of the Baltic Defence College**

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

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

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

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