

Opinion of the National Audit
Office on the financial
statements of the NATO
Cooperative Cyber Defence
Centre of Excellence for 2018
and 2019

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Accuracy of the financial statements of the NATO Cooperative Cyber Defence Centre of Excellence for 2018 and 2019

Accuracy of financial statements

The financial statements of the NATO Cyber Defence Centre for 2018 and 2019 are accurate in all material respects

- 1. The financial statements of the NATO Cooperative Cyber Defence Centre of Excellence according to which the result for 2018 is 344,107 euros and the total assets as at 31 December 2018 amount to 812,577 euros give, in all material respects, a fair view of the Centre's financial position, financial performance and cash flow for the year ended in accordance with the Financial Reporting Standard of Estonia.**
- 2. The financial statements of the NATO Cooperative Cyber Defence Centre of Excellence according to which the result for 2019 is 34,648 euros and the total assets as at 31 December 2019 amount to 701,953 euros give, in all material respects, a fair view of the Centre's financial position, financial performance and cash flow for the year ended in accordance with the Financial Reporting Standard of Estonia.**

No major omissions were found in the organisation of accounting in the NATO Cooperative Cyber Defence Centre of Excellence

Organisation of accounting

- 3. 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 2018 and 2019 of the NATO Cooperative Cyber Defence Centre of Excellence during its audit.**
- 4. The auditors have identified a few errors in the accounting for fixed assets, but these were corrected during the audit.**
- 5. The aforementioned omissions are discussed in more detail in the memorandum sent to the management. The National Audit Office is of the opinion that in spite of the findings reported in the memorandum, transactions have been presented accurately in accounting in all material respects.**

The budget funds of the NATO Cooperative Cyber Defence Centre of Excellence have been used purposefully in all material respects

Budget use

- 6. The budgetary expenditure of the NATO Cooperative Cyber Defence Centre of Excellence in 2018 amounted to 1,212,596 euros. The budgetary expenditure of the Centre in 2019 amounted to 1,279,457 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 the system on a random basis.**
- 7. 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 NATO Cooperative Cyber Defence Centre of Excellence was detected during the audit.**

8. In the memorandum sent to the management, the National Audit Office has made recommendations for compliance with the Acquisition Procedures and the rules for changing the budget in the Centre and for improvement of the internal control system established for the prevention of corruption.

/signed digitally/

Ines Metsalu-Nurminen
Director of Audit at the Audit Department

Response from the Director of the NATO Cooperative Cyber Defence Centre of Excellence

Colonel Jaak Tarien, Director of the NATO Cooperative Cyber Defence Centre of Excellence, sent his response to the report by the National Audit Office on 7th of May 2020.

Response from the Director of the NATO Cooperative Cyber Defence Centre of Excellence

Please accept our gratitude for the National Audit Office having been able to meet the request by the Ministry of Defence to audit the annual accounts of the NATO Cooperative Cyber Defence Centre of Excellence for 2018–2019 in the first half of 2020.

I find the observations made during the audit and in your memorandum for the improvement of the accounting and internal control mechanisms at the NATO Cooperative Cyber Defence Centre of Excellence relevant in all aspects and we will certainly try to take the recommendations into consideration in our work processes in the future.

I would also like to thank the auditors on behalf of the team of the Centre for our pleasant cooperation.

General profile of the institution

The NATO Cooperative Cyber Defence Centre of Excellence is an international military organisation which received full accreditation by NATO with the decision of the North Atlantic Council on 28 October 2008. Whilst providing numerous products and services to NATO in the domain of cooperative cyber defence, the Centre is not an operational unit and is not part of NATO's management or force structure. For the purposes of the Protocol on the Status of International Military Headquarters (the Paris Protocol), the NATO Cooperative Cyber Defence Centre of Excellence (hereinafter: Centre) is an international military organisation.

The Tallinn-based Centre in Estonia welcomes all NATO Member States, Partnership for Peace countries and other countries as members. The core areas of research of the Centre in cooperative cyber defence are law and politics, principles and strategy, tactical environment and critical information infrastructure protection. The Centre is funded by its member states.

Estonia's commitment as the leading country is to ensure all-round support as the host nation, which also involves organisational infrastructure and administrative expenses. Member states are required to cover the salaries and subsistence expenses of their researchers and make proportionate payments into the common operating budget.

The NATO Cooperative Cyber Defence Centre of Excellence has been founded under the Memorandum of Understanding signed by the representatives of the Ministries of Defence of Estonia, Germany, Italy, Latvia, Lithuania, Slovakia and Spain on 14 May 2008. The Memorandum sets out the funding, accounting and auditing principles of the Centre, which have been specified in the regulation of the Steering Committee composed of the representatives of the member states of the Centre, which is, in turn, supplemented by the internal policies of the Centre.

At the beginning of the audited period, the Director of the Centre was Merle Maigre; since September 2018, the Director has been Colonel Jaak Tarien. The persons responsible for the accounting in the audited period were Heidi Tormet up to March 2018, Silva Reinhold up to December 2018, and Annika Aasa since then.

Characteristics of audit

Reason and objective of audit

The auditor of the NATO Cooperative Cyber Defence Centre of Excellence is selected according to the guidelines of the Steering Committee. By agreement between the Steering Committee of the Centre and the National Audit Office, the financial statements of the Centre are audited by the National Audit Office.

The purpose of the audit is to express an opinion on the accuracy of the 2018 and 2019 financial statements of the NATO Cooperative Cyber Defence Centre of Excellence. The financial statements of the Centre consist of the balance sheet as of 31 December of the respective year, income statement, cash flow statement and statement of changes in owners' equity for the financial years ended, a summary of the accounting policies and procedures used in preparing the financial statements and other explanatory notes.

Scope and approach of the audit

In the course of giving an opinion on the accuracy of the 2018 and 2019 financial statements of the NATO Cooperative Cyber Defence Centre of Excellence, the National Audit Office evaluated the compliance of the financial statements with the Financial Reporting Standard of Estonia and the Estonian Accounting Act.

The National Audit Office performed the audit in accordance with the Audit Standards of the International Organization of Supreme Audit Institutions (INTOSAI), which regulate the auditing of financial statements as well as the lawfulness 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 control system introduced to prepare true and fair financial statements without expressing an opinion on the efficiency of the internal control system. 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 of the Centre.

The minor audit findings whose impact is not significant have been pointed out to the auditee during the audit, and a memorandum has been sent to the Centre.

Financial statements of the NATO Cooperative Cyber Defence Centre of Excellence

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;
- assets and liabilities belong to the institution as at 31 December;
- transactions were conducted or events took place in 2018 or 2019;
- 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 of Estonia; and
- the numeric information given in the management report, which arises from the financial statements, has been recognised in the correct amount.

Time of completion of audit: the audit was completed in April 2020.

Audit team: Audit Manager Angela Onno, Senior Auditor Kristi Kährin and Auditor Tiiu Lauri-Kivimäe.

Contact information

Additional information regarding the audit is available at the Communications Department of the National Audit Office

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Electronic copy (pdf) of the audit report is available on the website www.riigikontroll.ee.

Summary of the audit is also available in Estonian.

The number of the audit report in the internal records system of the National Audit Office is 2-1/80048/7.

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Previous financial audits conducted by the National Audit Office in the accounting field of the NATO Cooperative Cyber Defence Centre of Excellence

12 April 2018 – Opinion of the National Audit Office on the financial statements of the NATO Cooperative Cyber Defence Centre of Excellence for 2016 and 2017

26 August 2016 – Opinion of the National Audit Office on the financial statements of the NATO Cooperative Cyber Defence Centre of Excellence for 2014 and 2015

29 September 2014 – Opinion of the National Audit Office on the financial statements of the NATO Cooperative Cyber Defence Centre of Excellence for 2012 and 2013

11 September 2012 – Opinion of the National Audit Office on the financial statements of the NATO Cooperative Cyber Defence Centre of Excellence for 2011

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