

# ANNUAL AUDIT REPORT

## On the implementation of the European Economic Area and Norwegian Financial Mechanisms 2009-2014 in Estonia

Auditing Authority

Cut-off date 30 June 2017

(Reporting period 01.07.2016-30.06.2017)

29 December 2017



RAHANDUSMINISTEERIUM

Iceland   
Liechtenstein   
Norway grants   
Norway grants 

## **Annual Audit report will be presented to:**

Mr Henning Stirø, **Financial Mechanism Office**, Director

Mrs Kaie Koskaru-Nelk, **National Focal Point**, Head of the Deputy Secretary General of Fiscal Policy of the Ministry of Finance of the Republic of Estonia

Mrs Karin Viikmaa, **Certifying Authority**, Head of the European Union Payments Department of the Ministry of Finance of the Republic of Estonia

## **1 General information**

The Financial Control Department of the Ministry of Finance of the Republic of Estonia was assigned to the position of the Auditing Authority (hereinafter – AA) with the Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter – NFM) from June 8<sup>th</sup>, 2011 and the Memorandum of Understanding on the implementation of the European Economic Area Financial Mechanism 2009-2014 (hereinafter – EEA) from June 10<sup>th</sup>, 2011.

The tasks of the AA in relation to the EEA and NFM are described in the Statute of the Ministry of Finance of the Republic of Estonia from December 22<sup>nd</sup>, 2011.

The roles and responsibilities of the AA are based on the provisions of the Article 4.6 of the Regulations of the EEA and NFM for the period of 2009-2014.

The AA ensures that audits comply with internationally accepted audit standards - the IIA (the Institute of Internal Auditors) standards are followed by auditors.

## **2. Objective of the report**

Pursuant to the Article 4.6 of the Regulations of the EEA and NFM for the period of 2009-2014, the AA is responsible for submitting an annual audit report to the Financial Mechanism Committee (hereinafter – FMC) and to the Norwegian Ministry of Foreign Affairs (hereinafter – NMFA). The annual audit report sets out the findings of the audits carried out during the previous 12 month-period ending on 30 June of the year concerned. The annual audit report is compiled in accordance with the audit strategies of the programmes and reports any shortcomings found in the systems for the management and control of the programmes.

AA has to issue also an opinion to the FMC and NMFA. The opinion is based on the controls and audits that have been carried out under AA's responsibility. It states whether the management and control system (MCS) functions effectively, so as to provide a reasonable assurance that statements of actual expenditure incurred presented to the FMC and NMFA are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular.

During the reporting period the Certifying Authority has submitted to the FMO 23 interim financial reports in amount of 8,14 mln € (includes also the sum of budget reduction of the Scholarship program in amount of 92 241 euros).

### **3. Audits carried out during the reporting period and the main findings**

AA did not finish any audits of the EEA and NFM during the period 1 July 2016 - 30 June 2017. The main reasoning for the low audit activity was the rather high number of NFM and EEA audits already conducted by the AA during the previous years and to concentrate more on the closing procedures. Also the status of the technical assistance available for the AA for carrying out the audits was unclear.

In connection with the closure procedures the AA started in June 2017 the programme audit of the NFM programme "Green Industry Innovation EE07" (the announcement letter was sent out to the Programme Implementation Authority on 29 June 2017), which has been finalized by the time of this report. The objective of the audit was to evaluate, whether the activities and expenditures of the projects financed from the programme are eligible and in accordance with the NFM Regulations, Estonian legislation and requirements described in the contracts of the projects. During the audit was also analysed whether the NFM assistance is paid out on time and in correct amount. AA audited also the expenditures made from the fund of the bilateral relations, costs of the programme management and complementary actions of this programme. Based on the results of the audit, AA auditors came to the conclusion that the implementation of the programme is in accordance with the regulation and Estonian legislation. Final report of the programme audit was sent out on 05 December 2017.

Since 03 October 2017 the AA is conducting the audit of the EEA/NFM Scholarship (EE10) programme, which should be completed in the first quarter of the year 2018. In the second quarter of the year 2018 the AA has planned to audit the programmes "Research Cooperation (EE06)" and "Children and Youth at Risk (EE04)".

Results of all these audits will be reported to FMC and NMFA in the final audit report supporting the closure declaration of the period 2009-2014.

### **4. Findings of the audits carried out**

As no audits were completed during the period 01 July 2016 - 30 June 2017, there are no findings to report.

### **5. Opinion**

Although the AA did not finalise any audits during the reporting period (01 July 2016 – 30 June 2017) in regard to the EEA/NFM grants, the AA would like to express its opinion on the functioning of the system and actual expenditure incurred based on the following aspects:

- The programme audit of the NFM programme “Green Industry Innovation EE07” indicates that the implementation of the programme is in accordance with the regulation (*21% of actual expenditure incurred during the reporting period*);
- The EEA and NFM as well as the European Structural and Investment Funds have the same Certifying Authority in Estonia. The results of the MCS audit of the Certifying Authority (completed in the end of the year 2016) indicate that MCS of the Certifying Authority works well;
- The management and control systems of the programmes “Integrated marine and inland water management EE02”, “Conservation and Revitalisation of Cultural and Natural Heritage EE05”, Public Health Initiatives EE08”, “Mainstreaming Gender Equality and Promoting Work-Life Balance EE09” and Domestic and Gender-based Violence EE11” have already been audited previously and according to the results of these audits no major weaknesses in the control systems were discovered (*altogether 39% of actual expenditure incurred during the reporting period*)

Based on the information described above and taking into account that there has been no information about systematic errors by implementing the EEA and NFM, the AA is in the opinion that: **in all material aspects the management and control system functions effectively and provides a reasonable assurance that the statements of actual expenditures incurred presented to the NMFA and FMC are correct and as a consequence there is reasonable assurance that the underlying transactions are legal and regular.**

The AA’s final opinion on the legality and regularity of the expenditures financed from the EEA and NFM will be given in the context of the final audit report, to be compiled by the end of 2018.

*(Signed electronically)*

Kadi Peets  
Head of II audit unit  
Financial Control Department  
Audit Supervisor

*(Signed electronically)*

Liina Võrklaev  
Lead auditor of II audit unit  
Financial Control Department  
Audit Manager

29 December 2017, Tallinn