

National Audit Office: Some of the amounts in the 2019 State Budget Act are incorrect

TALLINN, 1 September 2020 – the National Audit Office discovered that the Ministry of Finance has presented to the Riigikogu the draft 2019 State Budget Act with mistakes, and the Riigikogu has adopted the 2019 State Budget Act with some of the summary amounts incorrect. The National Audit Office reached this conclusion in its audit report “Accuracy of the annual accounts of 2019 and regularity of the transactions of the state”.

In the consolidated part of the 2019 budget, the budgets for investments, expenditure, the depreciation of fixed assets and loss from change in the value of fixed assets are higher than planned. Also, the 2019 State Budget Act contains some of the amounts from the 2018 act without any changes made in them.

In the Ministry of Finance, the procedure for drafting the state budget does not ensure that the amounts in the consolidated part of the act to be presented to the Riigikogu for approval are correct (the budget for constitutional institutions, the Government Office and the areas of government has been presented correctly in the act). The summary budgets for investments and the depreciation of fixed assets and loss from change in the value of fixed assets have been presented in numbers higher than planned – by 2.4 million and 36.4 euros, respectively.

The transactions between areas of government must be removed from the expenditure. In the course of audit, however, it appeared that the 5.5 million euros which has been allocated from the budget of the Ministry of Finance to the institutions of the area of government to support the co-funding of foreign support has not been removed.

The 2019 budget implementation report of the state provides reliable information on the revenue accumulated, expenses made, investments and financing transactions carried out by the state. The National Audit Office finds that the economic transactions of the state have predominantly been carried out in accordance with the State Budget Act, the 2019 State Budget Act and the 2019 State Budget Act Amendment Act.

In the opinion of the National Audit Office, the 2019 annual accounts of the state are accurate and present fairly, in all material respects, the state’s financial position, financial performance and cash flows for the ended accounting period, apart from the qualified opinion on the balance of tangible fixed assets.

The National Audit Office makes a remark on the fixed assets of the Defence Forces as presented under the entry “Tangible fixed assets” in the consolidated and unconsolidated balance sheet of the state in the amount of 251.8 million euros. In the consolidated and unconsolidated balance sheet of the state’s annual accounts, tangible fixed assets have been presented in the respective amounts of 9.7 billion and 2.9 billion euros, including the fixed assets of the Defence Forces in the amount of 251.8 million euros.

The accounting for the assets of the Defence Forces, and the mistakes in the accounting, do not allow making sure or verifying that the balance of tangible fixed assets in the state’s consolidated and unconsolidated balance sheet is correct. One of the options for ensuring the correctness of the accounting balance is to compare the data from the accounting and the analytical register, but the accounting of the assets of the Defence Forces does not allow that. A comparison is necessary to identify and solve any current issues and identify whether accounting has received all the documents for writing off fixed assets. Correct accounting of assets is also needed to plan defence investments in the state budget and ensure the preservation of assets.

Background:

According to the 2019 budget implementation report, the state revenue in 2019 was 10.86 billion euros. The state’s expenditure and investments totalled 10.99 billion euros, with expenditure making

up 10.63 billion and investments 357.9 million euros. In 2019, expenditure and investments exceeded revenue by 130.3 million euros (this is not a surplus or deficit of the government sector, which is calculated by other methods). According to the consolidated annual accounts of the state, as at 31 December 2019, the volume of state assets amounts to 16.3 billion euros and most of the assets are made up of fixed assets (forests, roads, buildings, machinery). In comparison with the previous period, the volume of the assets has increased by 250.2 million euros.

As at 31 December 2019, the state has liabilities in the total amount of 9.6 billion euros, which have increased by 802.1 million euros compared to the previous period. The majority of the liabilities are made up of long-term liabilities in the amount of 5.9 billion euros. The state has debt obligations totalling 3.4 billion euros, which have increased by 274.8 million euros compared to the previous period. The state's pension liabilities amount to approximately 2.8 billion euros.

Full text of the report is available here:

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