

Accuracy of annual accounts 2020 and regularity of transactions of the state

Summary of audit results

Opinion on the accuracy of the annual accounts

The 2020 annual accounts of the state, which show the state's consolidated result to be –1.15 billion euros and consolidated assets as of 31 December 2020 to be 17.9 billion euros, present the state's financial position, financial performance and cash flows of the concluded accounting period fairly in all material aspects, apart from the remark on the balance of tangible fixed assets.

Remark 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 in the amount of 317.5 million euros as of 31 December 2020 and in the amount of 251.8 million euros as at 31 December 2019.

The accounting for the assets of the Defence Forces, and the mistakes in the accounting, still 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 operations for ensuring the correctness of the accounting balance is the comparison of data from accounting and the analytical register, which the Defence Forces have not done.

In 2020, the Defense Forces were engaged in setting up the module for the calculation of tangible fixed assets, but as of 31 December 2020, it was still not possible to make the comparison as it was still not possible to obtain a reliable list of tangible fixed assets from the analytical register.

Opinion on the regularity of transactions

For your information

The transactions are legal if carried out in accordance with the State Budget Act, the State Budget Act 2020, the Supplementary State Budget Act 2020, and the Act Amending the State Budget Act 2020. The basis for verifying compliance is the budget allocated to the specific constitutional institution, the Government Office or the area of government.

The National Audit Office finds that the economic transactions of the state have in all material aspects been carried out in accordance with the State Budget Act, the State Budget Act 2020, the Supplementary State Budget Act, and the 2020 State Budget Act Amendment Act.

The National Audit Office checked whether the constitutional institutions, the Government Office and the government agencies of the ministries have based their expenditure, investments and financing transactions on the budget granted to them by law.

In the opinion of the National Audit Office, the report on the implementation of the state budget of 2020, which specifies budget revenue to be 10.77 billion, expenditure to be 11.68 billion, investments to be 507.99 million and financing transactions to be 1.66 billion euros, provides reliable information on the revenue

accumulated, expenses made, and investments and financial transactions carried out by the state.

Even though the National Audit Office did not detect any errors in the total numbers of the report on the implementation of the state budget 2020, we hereby point out that the **National Audit Office was unable to check whether the data of the final budgets for all expenditure and investments of the programmes of the ministries' areas of government as approved in the State Budget Act 2020, and the data on the implementation of the budget in the state budget implementation report, are correct.**

As economic transactions are recorded in the accounts on the basis of their economic substance, the data based on the economic substance must be converted to programmes in order to obtain a programme-based budget and information on its implementation. This conversion was made for the first time in the preparation of the 2020 state budget implementation report. The audit revealed inconsistencies between the expenditure and investments of some areas of government in applying different accounting principles, i.e. in the accounts and in the programme-based budget implementation report. Therefore, in the case of two areas of government, the National Audit Office was unable to verify that the expenditure and investments were correctly presented in the report on the implementation of the state budget.

The Consolidated Annual Report of the State, incl. the State Budget Implementation Report, provides the Riigikogu and the public with information on economic transactions that have already been carried out. However, the basis for deciding on state revenue and expenditure is the State Budget Act for the year, which is why it is necessary for the draft State Budget Act together with the explanatory memorandum to be prepared by the Ministry of Finance to contain correct and comprehensible information.

365 million euros is the difference between revenue and expenditure in the state budget presented as more favourable.

All total amounts of the State Budget Act 2020 as approved by the Riigikogu – revenue, expenditure, investments, financing transactions – are incorrect. The Ministry of Finance submitted to the Riigikogu, similarly to the draft State Budget Act 2019, a draft for 2020 that also contains errors. The process of preparing a state budget by the Ministry of Finance does not ensure the accuracy of the amounts in the consolidated section of the act to be submitted to the Riigikogu. The revenue budget has been presented as 115.87 million euros higher and the budget for expenditure, investments and financing transactions as lower in the consolidated section of the budget – by 249.58 million, 5.56 million and 43.04 million euros, respectively. As a result, the difference between the revenue and expenditure presented in the act is also incorrect – according to the act, revenue exceeds expenditure by 109.28 million euros, but the correct statement would be that expenditure is 256.17 million euros higher than revenue.

443 pages was the length of the explanatory memorandum prepared by the Ministry of Finance as of the initiation of the draft State Budget Act 2020.

The amounts of budgets for revenue, expenditure, investments and financing transactions of constitutional institutions, the Government Office and the areas of government of ministries are correct in the State Budget Act 2020.

In addition, the explanatory memorandum to the draft is not clear about what the funds are spent on, the comparability of the periods is not ensured, and there are arithmetic errors as well as misleading text.

As a result of the audit, the National Audit Office issued several recommendations and the ministers agreed with the recommendations (see more below).