Risks related to the Use of Funds Allocated from the State Budget to the Estonian Qualification Authority

Summary

The Estonian Qualification Authority (hereinafter, the Foundation) was established in 2001 with the objective of facilitating the establishment and development of an integrated professional qualifications system, including achieving comparability of the qualifications of Estonian employees and acknowledgement by other countries within this area. Both in 2002 and 2003, the Foundation was allocated 2.5 million Estonian kroons from the State Budget.

Main Observations

The duties described in the Contract Under Public Law that was concluded between the Ministry of Social Affairs and the Foundation are similar to the ones arising from the Professions Act without any specifications thereto. The so-called Financing Contract that is annually concluded records the quarterly amounts that the Ministry must transfer. The Annex to the Financing Contract lists the quarterly activity plans, whereas the specific activities in the plan are not connected to the amounts received from the Ministry.

In accordance with the Statutes of the Foundation, the Supervisory Board shall approve the budget of the Foundation. The approved 2002 budget records only the amounts received from the state, but the Foundation received money also within the framework of a PHARE project and from the issue of professional certificates. Although the Foundation did not exceed the 2002 budget, the difference between the actual expenditure and the expenditure items in the budget was great. The Management Board did not make a proposal to the Supervisory Board to amend the budget. The contract concluded between a member of the Management Board and the Supervisory Board of the Foundation includes a condition specifying that in the event of premature termination of contract on the initiative of a member of the Management Board, the parties will agree on whether compensation is to be paid. Actually it was the Chairman of the Supervisory Board and a member of the Management Board that agreed on the payment of compensation. However, as the Supervisory Board is a collective body, the other members of the Supervisory Board should have participated in the decision-making.

In accordance with the Anti-corruption Act, officials shall not engage in self-dealing, or conclude transactions of similar nature or involving a conflict of interest. The Chairman of the Management Board of the Estonian Qualification Authority concluded several contracts with a private limited company that he owned. Altogether, ca 53 000 Estonian kroons were paid for these transactions. Also, Sirje Murre, member of the Management Board has concluded a contract for organising seminars with a private limited company where 2/3 of the ownership belongs to her husband and son.

In 2001–2003, the number of professional certificates issued was greater than the respective sum of money should have been. In the course of the audit, invoices in total of 5050 Estonian kroons were issued to collect the arrears.

Main Proposals

Proposal to the Minister of Social Affairs

- To make a proposal to the Foundation to specify the Contract Under Public Law and the Financing Contract of 2003, and in the future contracts to prescribe exact duties and sums of money to be allocated for their performance.

Proposals to the Supervisory Board of the Foundation

- To approve the Foundation’s future budgets so that these would record not only the state budget money, but similarly to an annual report include all revenue and expenditure of the Foundation.
- To form an opinion about the self-dealing transactions concluded by members of the Management Board, and to implement measures to avoid occurrence of such situations in the future.
- To form an opinion about the compensation paid to Tiia Randma, member of the Management Board without the approval of the Supervisory Board.

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The Minister of Justice in the capacity of the Minister of Social Affairs replied that in order to eliminate the deficiencies pointed out by the SAO, the 2003 Financing Contract and the duties in the activity plan will be more tightly connected, and this principle will also be followed in the future.

The Supervisory Board of the Foundation promised to approve future budgets so that these would include all revenue and expenditure of the Foundation. To avoid self-dealing transactions by members of the Management Board, more efficient measures will be implemented. Concerning the issue of compensation paid to a member of the Management Board, a written explanation is requested from Tiit Laja, Chairman of the Supervisory Board at the time.

The Supervisory Board did not form an opinion about the transactions by members of the Management Board with companies owned by themselves or their relatives.

The Management Board undertook to develop the rules and regulations of the Management Board that were absent to date, to review the rules of procedure and job descriptions for the working groups as well as specify the accounting policies and procedures.

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