

Organisation of accounting and legality of transactions of the Estonian Embassy in Brussels and the Permanent Representation of the Republic of Estonia to the EU

Audit report No. OSI-2-6/06/8 15.02.2006

Summary

The goal of the audit of the SAO on 'Organisation of accounting and legality of transactions of the Estonian Embassy in Brussels and the Permanent Representation of the Republic of Estonia to the EU' was to evaluate the organisation of accounting in the Estonian Embassy in Brussels (hereinafter also referred to as the 'Embassy') and in the Permanent Representation of the Republic of Estonia to the EU (hereinafter also the 'Representation to the EU'), as well as the legality of economic transactions completed in the first nine months in 2005. The audited transaction classes included transactions related with cash, bank and fixed assets, as well as administration and staff costs. The audit of the cash and bank transactions and administration costs of the Representation to the EU was based on the work of the internal auditors of the Ministry of Foreign Affairs.

In addition, the audit included a review of the procedure for the compensation of major expenses of the attachés in the Representation to the EU by the ministry that sent the attaché, as well as compliance of the staff remuneration with the legislation. The audited ministries included the ministries of Finance, Economic Affairs and Communications, Agriculture, and the Environment.

In the opinion of the SAO, the procedures for expense compensation in the said ministries were at a good level and the SAO did not detect any non-compliances with legislation in respect of staff remuneration.

The SAO believes that the organisation of accounting of the Estonian Embassy in Brussels and the Permanent Representation of the Republic of Estonia to the EU is at a good level; in respect of legality of transactions, the SAO has made a remark on taxes to the Embassy and a remark on the organisation of public procurements to the Representation to the EU.

Main observations

- The accounts of the Representation to the EU do not provide a sufficient overview of the content of the concluded lease contracts and the obligations arising from these contracts. In addition, the lease contracts do not document all the obligations arising from the contracts.
- The audit of the Embassy indicated that there have been delays in the submission of expense receipts specified in the Government of the Republic procedure on the 'Amounts and payment procedures for the foreign service allowances and reimbursements paid to the diplomats of the Republic of Estonia'. The delays in the submission of expense receipts create the risk that the accounting report of the Embassy may contain incorrect data.
- The Embassy had no overview of the current administration contracts (repair, maintenance, etc.) and, therefore, the official endorsing an expense receipt is unable to ascertain that the invoices received correspond to the relevant contracts.
- The Embassy has not recognised as fringe benefits the compensation for the costs related to the participation of its employees in receptions, business lunches and other events. The SAO has made similar observations also during the audits of the economic activities of the Ministry of Foreign Affairs in the earlier periods.
- The Representation to the EU has ordered from April to November 2005 cleaning services and household accessories from the company Belgo Office Cleaner for the total amount of 355 647 without organising a public procurement.
- The Representation to the EU submits to the ministries invoices for reimbursing the expenses of the attachés. As an exception, invoices submitted to the Ministry of Finance only cover a part of the expenses, because the Ministry of Finance has not agreed to compensate all expenses. Unlike other ministries, the Ministry of Finance has not accepted the joint action agreement developed by the Ministry of Foreign Affairs.

Main proposals to the ambassadors at the Estonian Embassy in Brussels and the Permanent Representation of the Republic of Estonia to the EU

- When concluding lease contracts, clarify the arising rights and obligations and, if necessary, specify in the contract the costs covered by the lease payments.
- Establish in the accounting policies and procedures rules on the due dates for the submission of expense receipts on the expenses subject to compensation to the employees of the Embassy, and ensure submission of expense receipts by deadline.
- Create an electronic register of contracts or ensure availability of the contracts in some other way in order to enable the officials endorsing expense receipts to verify the correspondence of the invoices to the contracts.
- Decide any eventual need for a public procurement in the Representation to the EU already during the budgeting period.

Proposals to the Minister of Foreign Affairs and the Minister of Finance

- Find a solution to the issue of the application of the fringe benefit tax to the Ministry of Foreign Affairs.
- Reach an agreement concerning the use of the building of the Representation to the EU and the compensation of the related expenditures to ensure payment of the expenses of an attaché from the budget of the Ministry of Finance, and inclusion of these expenses in the budget of the Ministry of Finance, not in the budget of the Ministry of Foreign Affairs.

The responses of the Minister of Foreign Affairs and the Minister of Finance to the proposals of the SAO have been provided as annexes to the audit report.

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