

AUDIT REPORT	Date: 31.12.2025	Prepared by: Maarja Kilter (Head on Internal Audit Department)	Reference nr: A1-5
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Title	Audit on the Use of Modernisation Fund Support in Estonia (costs up to 31.12.2024)
Objective	The audit was conducted in accordance with Article 16(4) of Implementing Regulation (EU) 2020/1001, which requires Member States to carry out an audit every two years on the use of amounts paid from the Modernisation Fund by the Member State or the scheme managing authority to project proponents or final recipients of the Modernisation Fund support.
Scope	The audit covers the use of support amounts paid from the Modernisation Fund to project applicants or final recipients during the period 1 January 2023 – 31 December 2024. The audit examines eligible costs related to the implementation of projects by final recipients (Muhu Municipal Government, Hiiumaa Municipal Government, Saaremaa Municipal Government, Põltsamaa Municipal Government, Riigi Kinnisvara AS), the administrative costs of implementing measures by the State Shared Service Centre, and the costs of dual-system electric trains incurred following the tender process conducted by AS Eesti Liinirongid under the respective procurement contract. The scope of the audit also includes verifying the compliance of public procurement procedures related to the support with applicable requirements.
Scope limitation	<p>The audit does not include:</p> <ul style="list-style-type: none"> ➤ An assessment of the Ministry of Climate's management and control systems (MCS) for submitting Modernisation Fund investment proposals and reporting; ➤ An assessment of the MCS of responsible ministries in developing regulations for measures financed by the Modernisation Fund, consolidating reports on the use of funding, and submitting them to the Ministry of Climate; ➤ An assessment of the MCS of the State Shared Service Centre in processing project applications and reporting for these measures; ➤ An evaluation of the impact of investments on energy efficiency and the modernisation of the energy system.

Summary

The audit was carried out in accordance with the principles and guidance set out in the Global Internal Audit Standards Framework issued by The Institute of Internal Auditors (IIA), including Domain II: Ethics and Professionalism, which defines the ethical principles and professional conduct requirements for internal auditors. Throughout the engagement, we adhered to the principles of independence, objectivity, and ethical conduct, while considering the expectations of the audit client. Although no external quality assessments have been performed regarding the Ministry of Climate's internal audit activities, we consciously align our work with the International Standards for the Professional Practice of Internal Auditing and apply appropriate ethical and professional practices.

In accordance with the Internal Audit Department's Statute No. 1-2/23/338 dated 09.08.2023, the following principles apply: (1) The Internal Audit Department is a structural unit of the Ministry of Climate reporting directly to the Minister. (4) The Department is functionally independent from other structural units of the Ministry and from agencies within its area of governance. (5) The Department does not participate in the management processes of the auditee, nor in the development or implementation of control procedures, and does not assume responsibility for management decisions when performing assurance or advisory engagements. The Audit Lead has confirmed their objectivity with respect to the internal audit subject under review and their obligation to immediately inform the head of the institution if a conflict arises with the signed objectivity confirmation and/or if a potential risk to objectivity emerges.

In preparing the report, we relied on the documentation available to us, as well as the information and explanations provided by the auditee during the audit. We conclude that all data submitted to us, along with other oral and written information, accurately reflect the activities performed and correspond to reality, and are sufficient for forming an opinion. If additional information, not disclosed or unknown to the auditor, had been available, the auditor's conclusions might have been different.

We thank the auditees for their pleasant cooperation.

Maarja Kilter (CGAP), /digitally signed/

Introduction

The Modernisation Fund is an EU financial instrument established for the period 2021–2030 to support the modernisation of energy systems and the improvement of energy efficiency in 13 Member States with the lowest average income. The Fund was created under the EU Emissions Trading System (ETS) and is financed through revenues from the auctioning of emission allowances. Its purpose is to help lower-income Member States meet their 2030 climate and energy targets, as outlined in the European Green Deal and the European Green Deal Investment Plan.

The legal framework of the Fund includes the ETS Directive (notably Articles 10 and 10d) and the Implementing Regulation on the Modernisation Fund, both last amended in 2023 and applicable from 2024. In addition, the European Investment Bank (EIB), in consultation with the European Commission, has published an Assessment Guidance Document. Investments financed by the Fund must align with the objectives of the ETS Directive, the European Green Deal, the European Climate Law, and the long-term goals of the Paris Agreement.

The Modernisation Fund is coordinated by the European Investment Bank in cooperation with the European Commission.

The use of Modernisation Fund resources is governed by European Union legislation:

- Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC;
- Commission Implementing Regulation (EU) 2020/1001 of 9 July 2020 laying down detailed rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards the operation of the Modernisation Fund supporting investments to modernise the energy systems and to improve energy efficiency of certain Member States and its amendment (2023/2606).

The requirements for the use and reporting of Modernisation Fund resources in Estonia are established by:

- [Atmospheric Air Protection Act](#) (AÕKS), §165¹ Modernisation Fund, which stipulates, among other things, that the allocation of Modernisation Fund resources and the ministers responsible for their use are determined in the State Budget Strategy (RES). For the implementation of measures specified in the RES, the minister responsible for the use of resources may establish, by regulation, the conditions and procedure for implementing the respective measure. Pursuant to subsection 51 of this paragraph, the Ministry of Climate submits the allocation of Modernisation Fund resources for assessment and approval to the European Investment Bank and the Investment Committee in accordance with Commission Implementing Regulation (EU) 2020/1001.
- Government of the Republic Regulation No. 25 of 10 March 2022 „[General Conditions for the Use and Reporting of Modernisation Fund Resources](#).“

Modernisation Fund-supported programmes in Estonia

1. On 14 September 2021, Estonia submitted two priority investment applications, both approved by the European Commission. The EIB issued a positive confirmation for both on 11 October 2021.

➤ **Programme for improvement of energy efficiency and renewable energy use in public sector buildings (MF 2021-2 EE 0-001)**

The objective is to improve the energy efficiency of public sector buildings and thereby reduce greenhouse gas emissions from their use. With the support of the Modernisation Fund, energy efficiency targets are planned to be achieved for 255,000–425,000 m² of floor area during 2021–2030. The programme is implemented through two sub-programmes: one focusing on central government buildings and the other on local government buildings. Activities under this programme are planned to be supported with €170 million from the Modernisation Fund during 2021–2030.

The form of financing is grant, which will be given for energy saving investments, renovation or in some case replacement and accompanying construction works.

From the Programme for improvement of energy efficiency and renewable energy use in public sector buildings, the following sub-measures and related project costs, as well as administrative costs for implementing the measures, are included within the scope of the audit:

a) **Costs of projects supported under Regulation No. 36 of the Minister of Finance of 26 September 2023 „Conditions and Procedure for the Use of Support from the Modernisation Fund for Improving the Energy Efficiency of Local Government Buildings“.**

The first application round was announced in October 2023 with a budget of €40 million and implementation costs of €142,000. The deadline for submitting applications was 31 January 2024. As a result of the evaluation, 39 applications were approved, with a total support allocation of €30,972,078.71. Projects are currently being implemented.

The second application round, with a budget of €45 million and implementation costs of €150,000, was announced in March 2025, and the deadline for submitting applications was 31 July 2025.

As of 31 December 2024, funding from the Modernisation Fund has been disbursed for the following projects

Project name	Support rate	Amount paid from the Modernisation Fund to final recipients up to 31 December 2024 (euros)
Kliima2.8.01.23-0039 Improvement of energy efficiency in Muhu Sports Hall (Muhu Municipal Government)	65%	5947,50
Kliima2.8.01.23-0026 Improvement of energy efficiency in the Käina Hobby and Cultural Centre building (Hiiumaa Municipal Government)	63%	69230,98
Kliima2.8.01.24-0063 Reconstruction of Orissaare Cultural Centre (Saaremaa Municipal Government)	69%	30304,80
Kliima2.8.01.24-0060 Improvement of energy efficiency in the educational building at Lille Street 2/3 in Põltsamaa (Põltsamaa Municipal Government)	67%	156519,57
TOTAL		262002,85

b) **Costs of projects supported under Regulation No.36 issued by the Minister of Public Administration on 5 August 2022 „Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings“.**

First application round: the budget for the round was 28 million euros, the deadline for submitting applications was 31 January 2023. Two applications were submitted, both were approved. A total of 20.6 million euros of support was allocated to the applications.

Second application round: the budget for the round was 27 million euros, the deadline for submitting applications was 31 January 2024. Two applications were submitted, one of them was approved. A total of 0.9 million euros of support was allocated to this application.

Third application round: the budget for the round is 24 million euros, the deadline for submitting applications was 31 January 2025.”

As of 31 December 2024, funding from the Modernisation Fund has been disbursed for the following projects:

Project name	Support rate	Amount paid from the Modernisation Fund to final recipients up to 31 December 2024 (euros)
Kliima2.8.01.23-0008 Reconstruction of the office building at Lasnamäe Street 2 (Riigi Kinnisvara AS), VAT is not eligible	100%	74550,00
Kliima2.8.01.23-0010 Energy-efficient renovation of Tartu Courthouse (Riigi Kinnisvara AS), VAT is not eligible	100%	3900107,83
TOTAL		3974657,83

c) **Administrative Costs for Implementing Sub-Measures of the Programme for improvement of energy efficiency and renewable energy use in public sector buildings.**

The State Shared Service Center (<https://www.rtk.ee/en>), which is a government agency under the administration of the Ministry of Finance, is responsible for carrying out the open call for proposals and for supervision of the implementation of the projects and payments.

Administrative costs for implementing the measure under the Regulation No. 36 of the Minister of Finance of 26 September 2023, “Conditions and Procedures for the Use of Support from the Modernisation Fund for Improving the Energy Efficiency of Local Government Buildings”, and related orders:

- Order of the Minister of Finance, 10 October 2023, No. 155: I confirm the indicative financial volume for the 2023 application round as €40,000,000. I confirm the administrative costs for the measure implementer for conducting the application round as €142,000 in total.
- Order of the Minister of Regional Affairs and Agriculture, 27 February 2025, No. 47 (1.1-2/47): I confirm the financial volume for the 2025 application round as €45,000,000. I confirm the administrative costs for the measure implementer for conducting the application round as €150,000 in total.

Administrative costs for implementing the measure under the Regulation Regulation No. 36 issued by the Minister of Public Administration on 5 August 2022 „Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings, and related orders:

- Order of the Minister of Public Administration, 19 September 2022, No. 175: Financial volume for the first application round: €28,000,000; administrative costs for the measure implementer for conducting the application round: €104,200 in total (administrative costs for implementing the measure: €8,200 (2022), €31,000 (2023), €32,000 (2024), €33,000 (2025)).
- Order of the Minister of Finance, 17 October 2023, No. 158: Financial volume for the second application round: €27,000,000; administrative costs for the measure implementer for conducting the application round: €134,000 in total.
- Order of the Minister of Finance, 20 September 2024, No. 105: Financial volume for the third application round: €24,000,000; administrative costs for the measure implementer for conducting the application round: €90,000 in total.

As of 31 December 2024, funding from the Modernisation Fund has been disbursed to the State Shared Services Centre for the following costs (code 9R40-MF00-08112HALD):

Year	Description of Costs	Amount paid from the Modernisation Fund to final recipients up to 31 December 2024 (euros)
2023	Administrative costs for measure implementation (partial salaries, taxes, etc.)	8790,42
2024	Administrative costs for measure implementation (partial salaries, taxes, etc.)	77986,05
TOTAL		86776,47

- **Energy-efficient low-emission public transport programme (MF 2021-2 EE 0-002)**
The aim is to improve the energy efficiency of Estonia’s public transport by supporting investments that accelerate the transition to vehicles using renewable energy or hydrogen. The programme contributes to the Transport and Mobility Master Plan 2021-2035 and to the National Energy and Climate Plan 2030. Activities include acquiring an environmentally friendly and energy-efficient ferry for the Virtsu–Kuivastu route, modernising Estonia’s train fleet by purchasing 10 electric passenger trains with the Fund’s support, and promoting the use of electric buses and/or trams in cities. These activities are planned to be supported with €130 million from the Modernisation Fund during 2021–2030.
- As of 31 December 2024, expenses have been incurred in connection with the procurement of electric trains. On 6 September 2022, the Government of the Republic of Estonia decided at a cabinet meeting to approve the acquisition of 10 new dual-system electric trains financed from the Modernisation Fund. The public procurement reference number is 217993 “[Purchase of dual-system electric trains](https://ted.europa.eu/et/notice/-/detail/121993-2020)” (restricted procedure; the international notice is published at <https://ted.europa.eu/et/notice/-/detail/121993-2020>). The contract with the successful bidder was signed on 19 December 2022. The trains are currently in production and according to the signed contract, the final handover of 10 electric trains will take place in March 2026.

As of 31 December 2024, funding has been paid to AS Eesti Liinirongid for the following costs:

Description of Costs	Support rate	Amount paid from the Modernisation Fund to final recipients up to 31 December 2024 (euros)
Execution of Contractual Payments under the Procurement Contract Resulting from the Public Tender 'Purchase of Dual-System Electric Trains' (Reference No. 217993), Concluded with the Škoda Transportation a.s. and Škoda Vagonka Consortium	100%	21702517,00

Payments to final beneficiaries under these two programmes have been made up to 31 December 2024 and are included within the scope of this audit (see Annex 1 for details).

- On 13 February 2024, Estonia submitted an application for Phase 2 of the Programme for Increasing Energy Efficiency and Renewable Energy Use in Public Sector Buildings (amounting to €250 million). The EIB issued a positive financing decision on 12 March 2024. No payments to final beneficiaries have been made from this funding.

Final Report

Programme for improvement of energy efficiency and renewable energy use in public sector buildings			Sub-measure: Regulation No. 36 of the Minister of Public Administration on 5 August 2022 „Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings“.					
Project submitter / final recipient (name of institution)			Riigi Kinnisvara AS					
Project number			Kliima2.8.01.23-0010					
Project title			Energy-efficient renovation of the Tartu Courthouse (<i>Tartu Kohtumaja energiatõhus renoveerimine</i>)					
Decision forming the basis for Modernisation Fund financing			Decision of the Head of the Grants Implementation Department of the State Shared Services Centre, 06 April 2023, No.11.2-54/23/570 „Approval of the application submitted by Riigi Kinnisvara AS“.					
Project eligibility period			01.03.2023 - 31.08.2025					
Total amount of eligible project costs (in euros)			11 492 640,00 (100%)					
Maximum amount of Modernisation Fund financing (in euros)			11 492 640,00 (100%)					
Minimum amount of co-financing (in euros)			0					
Audited period and amount of Modernisation Fund financing up to 31.12.2024 (in euros)			3 900 107,83					
Amount of identified non-eligible financing (in euros)			N/A					
Audited cost documents								
Cost document number and date	Submitter of the cost document	Description of the expense	Total amount of the cost document (EUR, including VAT)	Payment order for the recipient's payment to the service provider	Eligible amount (EUR)	Paid amount of Modernisation Fund funding to final recipient (EUR, with rate 100%)	Modernisation Fund funding payment order number and date	Procurement
ME01406 (07.05.2024)	OÜ Ehitustrust	Construction in accordance with the Act No AET-6/2024-35-3	373561,43 (VAT 67363,54)	No. 01-1000F1100000132024 (06.06.2024) in the amount of 373561,43 euros	247843,57	247843,57	PO33420 (16.10.2024)	International open tender No. 270383, works contract
		Design (including expert review) in accordance with the Act No AET-6/2024-35-3			15702,00	15702,00	PO33420 (16.10.2024)	International open tender No. 270383, works contract
ME01412 (30.05.2024)	OÜ Ehitustrust	Construction in accordance with the Act No AET-6/2024-35-4	366000,00 (VAT 66000,00)	No. 01-1000F1100000962024 (01.07.2024) in the amount of 366000,00 euros	270892,97	270892,97	PO33420 (16.10.2024)	International open tender No. 270383, works contract
		Design (including expert review) in accordance with the Act No AET-6/2024-35-4			20000,00	20000,00	PO33420 (16.10.2024)	International open tender No. 270383, works contract
ME01434 (30.06.2024)	OÜ Ehitustrust	Construction in accordance with the Act No AET-6/2024-35-5	985858,58 (VAT 177777,78)	No. 01-1000F1100000302024 (02.08.2024) in the amount of 985858,58 euros	795254,74	795254,74	PO33420 (16.10.2024)	International open tender No. 270383, works contract
ME01447	OÜ Ehitustrust	Construction in accordance	1049200,00	No. 01-	1059,97	816250,45	PO34632	International open

(07.08.2024)		with the Act No AET-6/2024-35-6	(VAT 189200,00)	1000F1100000322024 (06.09.2024) in the amount of 1049200,00 euros			(21.11.2024)	tender No. 270383, works contract
ME01457 (29.08.2024)	OÜ Ehitustrust	Construction in accordance with the Act No AET-6/2024-35-7	1056154,94 (VAT 190454,17)	No. 01- 1000F1100001092024 (30.09.2024) in the amount of 1056154.94 euros	75585,41	797981,39	PO34632 (21.11.2024)	International open tender No. 270383, works contract
		Design (including expert review) in accordance with the Act No AET-6/2024-35-7						International open tender No. 270383, works contract
ME01471 (30.09.2024)	OÜ Ehitustrust	Construction in accordance with the Act No AET-6/2024-35-8	1404404,40 (VAT 253253,25)	No. 01- 1000F1100000682024 (30.10.2024) in the amount of 1404404,40 euros	931182,71	931182,71	PO34632 (21.11.2024)	International open tender No. 270383, works contract

Auditor's Summary Opinion

Based on the procedures carried out during the audit, it can be concluded that the use of the amounts paid from the Modernisation Fund to the final recipient, within the scope of the audit, has been compliant. The reimbursed costs meet the requirements of European Union and Estonian national legislation and are directly related to achieving the objectives and implementing the activities planned in the project.

All verified costs are supported by proper and relevant source documents confirming their link to the project and compliance with eligibility conditions. Transactions reflect actual circumstances; costs are accurately and fully recorded in the accounts, duly paid, and correspond to the nature and amounts of the payment transactions.

The procurement procedures were conducted in substantial compliance with applicable requirements. Minor deficiencies were identified (with no financial impact), but no violations or unfair treatment were found.

Project-related publicity and visibility activities have been carried out in accordance with EU visibility and communication requirements.

The beneficiary has also ensured the retention of all project documents and data for at least five years after the last payment, in line with the obligation set out in Article 16(5) of Regulation (EU) 2020/1001.

Within the audit scope, no breaches, deficiencies, or other circumstances were identified that would call into question the justification, accuracy, or compliance of the costs with the rules governing the use of the support. In conclusion, it can be confirmed that the funds used within the project have been managed transparently, purposefully, and in accordance with applicable requirements.

Compliance of Project Planning with Modernisation Fund Objectives**Conclusion
(YES / NO
/ N/A)****Auditor verified:**

➤ Whether the use of funding or the project (regardless of whether implemented by the final recipient or by the State Shared Services Centre as the implementing body) complies with the eligibility criteria (in accordance with Directive 2003/87/EC Article 10d, Regulation (EU) 2020/1001, national support conditions and the financing decision).

Explanation: The target of the project is the Tartu Courthouse (Building Register Code 104045147), located at Kalevi 1, Tartu (cadastral number 79507:065:0002). The courthouse was designed in the late 1990s and put into use in 2002. Over the years, only minor repairs have been carried out in the building. The thermal insulation and external enclosures correspond to the construction practices of the time and, except for the roof slab which was renovated a few years ago, do not meet today's energy efficiency standards. The building's ventilation system does not comply with modern indoor climate and energy efficiency requirements. There is no contemporary cooling system, and the existing system cannot provide cooling capacity according to the actual needs of the rooms. Cooling does not meet current indoor climate and energy efficiency standards. The building mainly uses fluorescent lighting, which should be replaced with more energy-efficient alternatives during renovation. There is also a lack of natural light and interior finishes that do not meet

YES

the requirements of a representative function. Among the technical deficiencies, the stormwater issue needs to be resolved. The main shortcoming of the building is functional non-compliance: courts and the prosecutor's office are not spatially separated. The layout does not allow for efficient use of space, and there are not enough restrooms.

Project objective is to renovate the Tartu Courthouse to meet Class A standards. A modern remote monitoring and control system will be installed, integrating both existing and new technical systems. The existing ventilation and cooling systems will be renovated, and the building will be connected to the city's district cooling system. The heating system will be adjusted and rebuilt according to the revised space program. Energy-efficient LED lighting will be installed. External walls and floors above outdoor air will be insulated, and windows will be replaced with more thermally efficient ones. The building's space program will be adapted to the needs of the institutions, and unused areas such as archives and corridors will be redesigned and put into use. As the building will be constructed using modern high-quality technologies and materials, its good condition will be guaranteed for at least 50 years. The building includes a café area of 113.6 m², which is not used by the central government.

The audit covers costs related to design and construction works eligible under § 5(3) of Regulation No. 36 of the Minister of Public Administration, dated 05.08.2022, "Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings." According to this provision, eligible costs for energy efficiency works include expenses for energy-saving measures listed in the regulation established under § 66(6) of the Building Code, as well as costs related to building reconstruction and partial demolition, together with investments inseparably linked to or required for these works, including those necessary to ensure indoor climate requirements. The cost of partial demolition is eligible up to ten percent of the maximum amount of support indicated in the decision approving the grant application. Other eligible costs include expenses for equipment and installations related to energy use or indoor climate and their installation, costs of connecting to utilities necessary for the functioning of the building, costs of renewable energy production equipment and their installation, costs necessary for energy storage, and costs of design and construction supervision required for carrying out the works mentioned above.

The project was implemented by AS Riigi Kinnisvara during the period from 01.03.2023 to 31.08.2025. The budget included costs for construction, including supervision, amounting to €11,392,640.00 (99.13%), and for design, including expert review, amounting to €100,000.00 (0.87%).

Based on the information provided and the planned activities, the project complies with the eligibility criteria set out in Article 10d of Directive 2003/87/EC, Regulation (EU) 2020/1001, national support conditions, and the financing decision.

➤ Whether the objective of the final recipient's activities is aimed at modernising energy systems or improving energy efficiency (including the objective of the State Shared Services Centre's activities, which—based on the support conditions—consists of processing grant applications, handling payment requests, making disbursements, and monitoring projects, thereby contributing to the achievement of the measure's objectives).

Explanation: Together with the application, the document titled "Forecast Calculation of Changes in Energy Use and Reduction of Greenhouse Gas Emissions for Tartu Courthouse (Kalevi 1, Tartu)" (dated 03.03.2023) was submitted, supporting the objectives of the application.

Project objective is to renovate the Tartu Courthouse to meet Class A standards. A modern remote monitoring and control system will be installed in the building, integrating both existing and newly constructed technical systems. The existing ventilation and cooling systems will be renovated, and the building will be connected to the city's district cooling network. The heating system will be adjusted and rebuilt according to the revised space program. Energy-efficient LED lighting will be installed. External walls and floors above outdoor air will be insulated, and windows will be replaced with more thermally efficient ones. The building's space program will be adapted to the needs of the institutions, and unused areas such as archives and corridors will be redesigned and put into use.

The application includes the following sector indicators:

- the reduction in energy supplied to the building (MWh/year) from 1,980.00 (initial) to 741.00 (target);
- the reduction in greenhouse gas emissions (t CO₂ equivalent/year) from 853.00 (initial) to 291.00 (target);
- the useful gross floor area under central government use that does not meet nearly zero-energy building requirements before reconstruction: 9,670.40 m² (initial);

YES

<ul style="list-style-type: none"> ➤ the useful gross floor area under central government use that meets nearly zero-energy building requirements after reconstruction: 9,577.20 m² (target); ➤ and the number of buildings where energy efficiency is improved and renewable energy use is promoted through reconstruction: 1 (initial), 1 (target). <p>The project's objective and planned activities are clearly aimed at improving energy efficiency. They comply with the eligibility conditions for energy efficiency measures and contribute to achieving the objectives of the Modernisation Fund in accordance with Regulation (EU) 2020/1001 and national support conditions. Therefore, it can be concluded that the final recipient's activities are consistent with the objectives of modernising energy systems and improving energy efficiency.</p>	
<ul style="list-style-type: none"> ➤ Whether the activities of the final recipient support the objectives of the EU Green Deal (e.g., reduction of carbon emissions, clean energy, climate neutrality). <p>Explanation: The project application specifies the following target indicators:</p> <ul style="list-style-type: none"> ➤ the reduction in energy supplied to the building (MWh/year) from 1,980.00 (initial) to 741.00 (target); ➤ the reduction in greenhouse gas emissions (t CO₂ equivalent/year) from 853.00 (initial) to 291.00 (target); ➤ the useful gross floor area under central government use that does not meet nearly zero-energy building requirements before reconstruction: 9,670.40 m² (initial); ➤ the useful gross floor area under central government use that meets nearly zero-energy building requirements after reconstruction: 9,577.20 m² (target); ➤ and the number of buildings where energy efficiency is improved and renewable energy use is promoted through reconstruction: 1 (initial), 1 (target). <p>The activities planned by the final recipient support the objectives of the European Union Green Deal, including the reduction of carbon emissions, the adoption of clean energy, and progress towards climate neutrality. The project will deliver measurable improvements in environmental performance and energy efficiency, fully aligned with the strategic targets of the EU Green Deal.</p>	YES
<ul style="list-style-type: none"> ➤ Whether the documents forming the basis for the use of the support by the final recipient (e.g., applications, financing decisions, contracts or other agreements) include clear performance indicators (such as energy savings in MWh, reduction of CO₂ emissions) and a description of the measurement methodology, ensuring transparent, reliable and Modernisation Fund-compliant information on the achievement of results. <p>Explanation: The project has been implemented, but the actual results and achievement of objectives can only be assessed some time after the completion of the project. The project application specifies the following target indicators:</p> <ul style="list-style-type: none"> ➤ the reduction in energy supplied to the building (MWh/year) from 1,980.00 (initial) to 741.00 (target); ➤ the reduction in greenhouse gas emissions (t CO₂ equivalent/year) from 853.00 (initial) to 291.00 (target); ➤ the useful gross floor area under central government use that does not meet nearly zero-energy building requirements before reconstruction: 9,670.40 m² (initial); ➤ the useful gross floor area under central government use that meets nearly zero-energy building requirements after reconstruction: 9,577.20 m² (target); ➤ and the number of buildings where energy efficiency is improved and renewable energy use is promoted through reconstruction: 1 (initial), 1 (target). <p>According to the decision approving the application, the beneficiary is obliged to submit by 31 August 2030, via the Structural Funds Register, annual data for four full years following the building's reconstruction, demonstrating the achievement of project results. This includes information on the building's energy consumption (including energy savings), greenhouse gas emissions, and renewable energy production. The documents submitted by the final recipient of the support define clear performance indicators and reporting obligations together with a measurement methodology that enables transparent assessment of the achievement of results in accordance with the conditions of the Modernisation Fund. Actual effectiveness can be assessed after the submission of the reports.</p>	YES
<ul style="list-style-type: none"> ➤ Has the planning of the use of funding (the project) complied with climate and environmental criteria (e.g., avoidance of significant harm, DNSH), and are these documented and, where necessary, justified <p>Explanation: The Estonian Government Regulation No. 25 of 10 March 2022 "General Conditions for the Use and Reporting of Modernisation Fund Resources" does not provide for a requirement to submit the results of an assessment regarding compliance of the supported activity with the "do no</p>	N/A

<p>significant harm” principle or the assurance of climate resilience of the supported infrastructure.</p> <p>Similarly, the Regulation No 36 of the Minister of Public Administration, dated 5 August 2022 does not provide for a requirement to submit the results of an assessment regarding compliance of the supported activity with the “do no significant harm” principle or the assurance of climate resilience of the supported infrastructure.</p> <p>The Modernisation Fund Assessment Guidance Document (p. 9) states: <i>“Do no significant harm” principle (applicable as of 1 January 2025). In line with Article 10f of the ETS Directive, from 1 January 2025, the BMS and the EC shall use the revenues generated from the auctioning of allowances referred to in Article 10(1), third (Original 2%) and fourth subparagraphs (New 2.5%) of this Directive in accordance with the “do no significant harm” criteria set out in Article 17 of Regulation (EU) 2020/852, where such revenues are used for an economic activity for which technical screening criteria for determining whether an economic activity causes significant harm to one or more of the relevant environmental objectives have been established pursuant to Article 10(3), point (b), of that Regulation. Further guidance on how the BMS will have to demonstrate compliance with Article 10f of the ETS Directive will be agreed and communicated at a later stage.”</i></p> <p>The ‘Do No Significant Harm’ (DNSH) principle became mandatory from 1 January 2025. At the time of project planning, this requirement was not applicable; therefore, no non-compliance was identified. Future projects will need to comply with DNSH requirements effective from 1 January 2025. Future projects will need to comply with DNSH requirements effective from 1 January 2025.</p>	
<p>➤ Has compliance with the European Union State aid rules and the provisions set out in Chapter 6 “State Aid” of the Estonian Competition Act been ensured.</p> <p>Explanation: Pursuant to §1(3) of Regulation No. 36 of the Minister of Public Administration, dated 5 August 2022, the support does not constitute State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union. The beneficiary, a public limited company wholly owned by the Republic of Estonia, performs a public task of managing state real estate and is neither a recipient of State aid nor of de minimis aid. The financing arrangement complies with EU State aid rules and Chapter 6 “State Aid” of the Estonian Competition Act. The measure is designed to exclude any selective economic advantage, is limited to the renovation of central government buildings for energy efficiency purposes, and does not distort competition or affect trade between Member States.</p>	N/A
<p>Scope of activities and exclusions:</p> <p>➤ Does the use of funding exclude investments in energy generation installations operating on fossil fuels; the use of coal, lignite, or other solid fossil fuels;</p> <p>➤ For activities related to fossil gas: is there evidence that the case constitutes an exception (e.g., a notification coordinated with the Commission), and are these activities temporary, transitional solutions, or of limited scope.</p> <p>Explanation: Project objective is to renovate the Tartu Courthouse to meet Class A standards. A modern remote monitoring and control system will be installed in the building, integrating both existing and newly constructed technical systems. The existing ventilation and cooling systems will be renovated, and the building will be connected to the city’s district cooling network. The heating system will be adjusted and rebuilt according to the revised space program. Energy-efficient LED lighting will be installed. External walls and floors above outdoor air will be insulated, and windows will be replaced with more thermally efficient ones. The building’s space program will be adapted to the needs of the institutions, and unused areas such as archives and corridors will be redesigned and put into use. The planned activities do not involve fossil fuel-based energy generation or the use of solid fossil fuels. Consequently, the use of funding fully aligns with the objectives of the EU Green Deal and the Modernisation Fund regarding energy efficiency.</p>	N/A
<p>Actual Implementation of Activities and Achievement of Impacts (exclusion of activities: the auditor does not perform or commission an energy audit or CO₂ reduction calculations)</p>	<p>Conclusion (YES / NO / N/A)</p>
<p>Auditor verified:</p>	
<p>➤ whether the activities of the final recipients comply with the project description, the terms of the agreement or other foundational financing document, and with the purpose of the funding.</p> <p>Explanation: The project was implemented during the period from 1 March 2023 to 31 August 2025. The budget included costs for construction, including</p>	YES

<p>supervision, amounting to €11,392,640.00 (99.13%), and for design, including expert review, amounting to €100,000.00 (0.87%). The main activities planned in the application were as follows: installation of a modern remote monitoring and control system integrating both existing and new technical systems; renovation of the existing ventilation and cooling systems and connection to the city's district cooling network; adjustment and reconstruction of the heating system in line with the revised space program; installation of energy-efficient LED lighting; insulation of external walls and floors above outdoor air; replacement of windows with more thermally efficient ones; and adaptation of the building's space program to the needs of the institutions, including redesign and utilization of unused areas such as archives and corridors.</p> <p>As a result of the audit procedures, it was established that the activities planned within the scope of the audit have been carried out. The construction works contract No. AET-6/2024-35, in the amount of €14,259,002.00, was concluded on 15 February 2024 following an international open tender procedure "270383 Tartu Courthouse Construction Works" organized by AS Riigi Kinnisvara. The contract was for general contracting construction works combined with the preparation of the detailed design and expert review, based on the Employer's main design. The preparation of the working design was carried out concurrently with construction. The occupancy permit No. 2512371/07831 was issued for the building on 8 July 2025. The energy performance certificate based on energy calculations, rating A, was issued under No. 2511583/07608 on 14 May 2025.</p> <p>Therefore, the activities of the final recipient are in compliance with the project description, the agreement, and the conditions of the financing documents, and ensure the implementation, documentation, and verifiability of the activities arising from the purpose of the funding.</p>	
<p>➤ whether the activities have been implemented within the prescribed timeframe and in accordance with the schedule presented in the application or other financing document, including any approved modifications.</p> <p>Explanation: The eligibility period of the project was from 1 March 2023 to 31 August 2025. The tender notice for the construction works was submitted to the Public Procurement Register on 21 September 2023. The occupancy permit No. 2512371/07831 was issued for the building on 8 July 2025, and the construction works contract ended on 14 August 2025. All costs within the scope of the audit were incurred during the project's eligibility period. The activities planned under the project have been carried out, and the reconstruction works have been completed. The project's final report has been submitted.</p> <p>Therefore, the activities have been implemented within the prescribed timeframe and in accordance with the schedule presented in the application or other financing document, including any approved modifications.</p>	YES
<p>➤ whether the final recipients have achieved the results set out in the project, the agreement or other financing document (e.g., improvement in energy efficiency, MWh saved, reduction of CO₂ emissions), and whether the reported results are sufficiently substantiated / documented (where possible with photos, data records, etc.).</p> <p>Explanation: It is not possible at the time of approval of this audit report to assess the achievement of the objectives set out in the application and financing documents (including the reduction in energy supplied to the building (MWh/year) and the reduction in greenhouse gas emissions (t CO₂ eq/year). This assessment can be carried out after the first full year following the completion of the project. The beneficiary is obliged to submit, via the Structural Funds Register, by 31 August 2030, annual data for four full years after the reconstruction of the building, regarding the achievement of project results, including building energy consumption volumes (including energy savings), greenhouse gas emissions, and renewable energy production. The audit established that the activities have so far been implemented in accordance with the planned schedule and that the project has created all the prerequisites for achieving the objectives.</p>	N/A
Accounting	Conclusion
Auditor verified:	(YES / NO / N/A)
<p>➤ whether the accounting system of the final recipient enables direct reconciliation of the costs and revenues declared for the project / funding, and whether these costs and revenues have been systematically recorded using a specific numbering system.</p> <p>Explanation: The project's costs and revenues have been systematically recorded in the accounting system using a specific coding structure. The final recipient has distinguished the development project costs in the accounting records with a separate code 900631, ensuring a clear link between costs,</p>	YES

revenues, and project activities (verified during the on-site procedure on 21 December 2025). The accounting system of the final recipient enables direct reconciliation of the costs and revenues declared for the project and funding. All actual costs and revenues have been systematically documented and linked to a specific code, which ensures traceability, verifiability, and a clear connection to the project's activities.	
<p>➤ whether, in cases where costs are allocated across multiple projects, appropriate allocation keys reflecting the actual workload have been established and applied systematically and accurately.</p> <p>Explanation: The costs verified within the scope of the audit were not allocated across multiple projects (the audit covered invoices from OÜ Ehitustrust: No. ME01406, No. ME01412, No. ME01434, No. ME01447, No. ME01457, No. ME01471). Since these costs are fully related to a single project activity, it was not necessary to establish separate allocation keys.</p>	N/A
<p>➤ whether clear accounting records have been maintained to prevent double reimbursement of costs, and whether cost documents are easily distinguishable (i.e., costs related to the use of the grant are clearly separated from other costs in the accounting system, as well as the cost and payment documents reflecting these costs from other documents).</p> <p>Explanation: The costs verified within the scope of the audit were not allocated across multiple projects (the audit covered invoices from OÜ Ehitustrust: No. ME01406, No. ME01412, No. ME01434, No. ME01447, No. ME01457, No. ME01471). These costs are clearly identifiable in the accounting records and linked exclusively to the activities of the assessed project (designated under a separate code: 900631), ensuring proper traceability and preventing double reimbursement.</p>	YES
<p>➤ whether the final recipient has confirmed that the same costs have not been double-financed from other sources (e.g., other EU funds or national programs), and whether controls have been carried out (e.g., SFOS cross-check) to ensure that the same costs (such as train purchases, design services, etc.) have not been declared for other EU funds or national financing during the same period and to the same extent (e.g., Cohesion Fund, CEF, REPowerEU, etc.).</p> <p>Explanation: The State Shared Service Centre performed a double-financing checks based on the SFOS cost document checklist on 11.10.2024 and 15.11.2024, ensuring that the same costs have not been declared for other EU funds or national financing during the same period and to the same extent (e.g., Cohesion Fund, CEF, REPowerEU, etc.). The risk of double financing for project costs has been adequately mitigated, and the implemented controls ensure that costs are correctly declared solely within the scope of this project.</p>	YES
<p>➤ whether the costs are recorded in the final recipient's accounting system or reflected in tax documents.</p> <p>Explanation: During the on-site procedure on 21 December 2025, the recording of project costs within the scope of the audit in the beneficiary's accounting software, the existence and approval of invoices, and the execution of payments were tested. The costs are recorded in the final beneficiary's accounting system or tax documents, and no deficiencies were identified.</p>	YES
<p>➤ (A) for the Ministry of Climate: whether the funding has been transferred through payments to the final recipients or to the responsible ministries;</p> <p>➤ (B) for the responsible ministries: whether the funding has been forwarded to the final recipients or to the State Shared Service Centre for making payments to the final recipients;</p> <p>➤ (C) for State Shared Service Centre: whether the funding has been disbursed to the final recipients based on supporting documents.</p> <p>Explanation: This is a project for which the State Shared Service Centre processes grant applications (C), makes payments for the supported activities or sets of activities partially or fully financed under the regulation, and performs oversight of the projects (see information on the audited costs). State Shared Service Centre has disbursed the funding to the final recipient for the costs within the scope of the audit.</p>	YES
Overall Financial Accounting Aspects	Conclusion
Auditor verified:	(YES / NO / N/A)
➤ Whether the costs declared by the project applicant or the final recipient of the Modernisation Fund support are eligible in accordance with the conditions for granting the support and the funding decision, and whether the funded costs were foreseen in the application or have been accepted by the responsible	YES

<p>ministry or the State Shared Service Centre (e.g., through a contract amendment, correspondence, or reporting).</p> <p>Explanation: The audit covers costs related to design and construction works eligible under § 5(3) of Regulation No. 36 of the Minister of Public Administration, dated 05.08.2022, “Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings.” According to this provision, eligible costs for energy efficiency works include expenses for energy-saving measures listed in the regulation established under § 66(6) of the Building Code, as well as costs related to building reconstruction and partial demolition, together with investments inseparably linked to or required for these works, including those necessary to ensure indoor climate requirements. The cost of partial demolition is eligible up to ten percent of the maximum amount of support indicated in the decision approving the grant application. Other eligible costs include expenses for equipment and installations related to energy use or indoor climate and their installation, costs of connecting to utilities necessary for the functioning of the building, costs of renewable energy production equipment and their installation, costs necessary for energy storage, and costs of design and construction supervision required for carrying out the works mentioned above.</p> <p>The project was implemented by AS Riigi Kinnisvara during the period from 01.03.2023 to 31.08.2025. The budget included costs for construction, including supervision, amounting to €11,392,640.00 (99.13%), and for design, including expert review, amounting to €100,000.00 (0.87%).</p> <p>The actual costs were determined through procurements. The final project cost amounted to € 11 492 640,00. Not all Ehitustrust OÜ invoice amounts have been deemed eligible; the assessment was based on the specific content of each activity listed in the construction work report. The calculation of both eligible and non-eligible costs can be found in the Structural Funds register under the project information section.</p> <p>The audit scope includes invoices for constructions works and design services from Ehitustrust OÜ, payment orders, handover certificates, and contracts. All relevant supporting documents have been attached to the project by the final recipient.</p> <p>The application included the following sector indicator: the useful gross floor area under central government use that meets nearly zero-energy building requirements after reconstruction: 9,577.20 m² (target). At the end of the project, the total useful gross floor area of the building (heated area) stated in the occupancy permit is 9,696.3 m². The central government does not use the café area, which totals 95.4 m²; therefore, the area under central government use is 9,600.9 m². The building’s area is 23.7 m² larger than planned, due to wall thickness adjustments made during the detailed design phase.</p> <p>It is not possible at the time of approval of this audit report to assess all the achievement of the objectives set out in the application and financing documents (including the reduction in energy supplied to the building (MWh/year) and the reduction in greenhouse gas emissions (t CO₂ eq/year). This assessment can be carried out after the first full year following the completion of the project. The beneficiary is obliged to submit, via the Structural Funds Register, by 31 August 2030, annual data for four full years after the reconstruction of the building, regarding the achievement of project results, including building energy consumption volumes (including energy savings), greenhouse gas emissions, and renewable energy production.</p> <p>Within the scope of the audit, the declared costs for construction works and design services from Ehitustrust OÜ are eligible and comply with the funding decision and the conditions for granting support. The funded costs correspond to the activities described in the application and have been accepted by the State Shared Service Centre as eligible and justified, confirming compliance with the funding decision and the conditions for granting support.</p>	
<p>➤ Whether the amount and description of the costs correspond to the project budget and what was presented in the application.</p> <p>Explanation: Ehitustrust OÜ invoices for construction works and design services with the description “Tartu Courthouse construction works, vn 270383, contract AET-6/2024-35, certificate AET-6/2024-35-3,” i.e., with reference to the work completion certificate for the relevant month, and the amounts correspond to the sums provided for in the project budget and the described activity. The invoices are relevant, justified, and recorded in the final beneficiary’s accounting. Original cost documents are available and allow verification of the cost’s link to the project, ensuring transparency and compliance with the budget. The amounts and descriptions are consistent with the project budget and the activities planned in the application, which guarantees transparency and traceability of costs.</p>	YES
<p>➤ Whether the costs were incurred and paid by the project applicant or the final recipient of the Modernisation Fund support, whether they are directly related to the project (e.g., invoices include project references and costs were made efficiently), and whether appropriate supporting documents (invoices,</p>	YES

<p>payment confirmations, contracts) have been provided.</p> <p>Explanation: The works covered by the invoices for design and construction services from Ehitustrust OÜ, which fall within the scope of the audit, were carried out at the request of the final recipient and paid directly by the final recipient. The invoices issued to the final recipient include a reference to the relevant interim certificate and/or construction contract (Ehitustrust OÜ invoices refer to ‘Tartu Courthouse construction works, vn 270383, contract AET-6/2024-35, certificate AET-6/2024-35-3,’ i.e., the work completion certificate for the respective month), confirming the direct link between the costs and the project activities. The incurrence and payment of costs are consistent with the activities permitted under the project and ensure the proper attribution of costs to project implementation. The costs have been incurred economically and efficiently, in line with the project objectives and ensuring the optimal use of resources. All relevant supporting documents (invoices, payment orders, interim certificates, contracts) have been attached to the project by the final recipient.</p>	
<p>➤ Whether the costs were incurred within the eligible project period and do not exceed the eligibility timeframe.</p> <p>Explanation: The eligibility period of the project, according to the approval decision, was from 01.03.2023 to 31.08.2025. The invoices from Ehitustrust OÜ for design and construction works that fall within the scope of the audit are within this period. On 15.02.2024, a construction contract was signed between Riigi Kinnisvara AS and Ehitustrust OÜ as a result of the procurement, under which the design and construction works for the Tartu Courthouse commenced. The occupancy permit (No. 2512371/07831) was issued for the building on 08.07.2025, and the construction contract ended on 14.08.2025. The referenced evidence supports the confirmation that all verified costs were incurred during the eligible period.</p>	YES
<p>➤ Whether the actual support paid for eligible costs does not exceed the maximum support amount or rate specified in the funding decision, contract, or other applicable agreement.</p> <p>Explanation: The approved support rate in the funding decision dated 06 April 2023 (No.11.2-54/23/570) is 100%. Not all construction work invoice amounts have been deemed eligible; the assessment was based on the specific content of each activity listed in the construction work report. The calculation of both eligible and non-eligible costs can be found in the Structural Funds register under the project information section. Within the audit scope, the disbursed grant has been made in accordance with the established support rate, and the maximum grant amount (€ 11 492 640,00) has not been exceeded. The final project cost amounted to € 11 492 640,00. The disbursed support is consistent with the support rate and maximum amount specified in the funding decision.</p>	YES
<p>➤ Whether the costs comply with applicable tax and social legislation</p> <p>Explanation: The invoices for design and construction works from Ehitustrust OÜ include 22% VAT and were prepared and submitted in accordance with applicable tax and social legislation. These invoices meet all legal requirements, and the payments were made by the final recipient in compliance with statutory obligations. The costs are consistent with applicable tax and social regulations, properly documented, and paid in accordance with the law.</p>	YES
<p>➤ Whether the cost description is clear and, based on the description, demonstrably linked to the project activity.</p> <p>Explanation: Ehitustrust OÜ invoices for design and construction works with the description “Tartu Courthouse construction works, vn 270383, contract AET-6/2024-35, certificate AET-6/2024-35-3,’ i.e., the work completion certificate for the respective month” referring to the relevant monthly work report, and the amounts correspond to the sums and activities specified in the project budget. The cost description is clear, understandable, and consistent with the project activities, enabling verification of the direct connection between the expense and the project’s objectives.</p>	YES
<p>➤ Whether the costs are, in the auditor’s opinion, reasonable, justified, and in line with the principles of sound financial management.</p> <p>Explanation: Prior to concluding the contract for design and construction services, an international open tender procedure was carried out through the Public Procurement Register. The invoices from Ehitustrust OÜ for design and construction works included in the scope of the audit have been issued for the execution of works agreed in the contract concluded following this procedure, and the costs are documented by a completion certificate. Based on the audit review, the costs are considered reasonable, justified, and in line with the principles of sound financial management, guaranteeing economy, efficiency, and effectiveness in the use of resources.</p>	YES
<p>➤ Whether the funding covers only costs that are directly related to the project and have actually been incurred (i.e., the work has been accepted, the service</p>	YES

<p>delivered, or the goods received and taken into possession).</p> <p>Explanation: The invoices for design and construction works from Ehitustrust OÜ, which fall within the audit scope, are based on acceptance reports, and the works have been carried out in accordance with the respective contract. Final recipient has paid the invoices in full, confirming that the costs have actually been incurred. The funded costs relate exclusively to project activities and are documented with an acceptance acts, ensuring compliance with the requirement that only completed and received services are reimbursed. The funding therefore covers only project-related and actually incurred costs, in line with the conditions of the support.</p>	
<p>➤ Whether technical and administrative costs (e.g., audit, reporting, site supervision) are reasonable and justified in the context of the project's scope and objectives.</p> <p>Explanation: Technical and administrative costs were not included within the scope of this audit for this project; therefore, their reasonableness and justification were not assessed.</p>	N/A
<p>➤ Whether the cost documents and contracts are consistent (including invoices, quantities, and delivered services/works).</p> <p>Explanation: On 15 February 2024, Riigi Kinnisvara AS signed a works contract with Ehitustrust OÜ, with a contract price of €14259002 euros plus VAT. Within the audit scope, 6 invoices were reviewed (No. ME01406, No. ME01412, No. ME01434, No. ME01447, No. ME01457, No. ME01471). The documentation—including the contract, invoice, and acceptance act—shows full consistency, and no discrepancies were identified between the contracts and the invoices. This ensures traceability and compliance with the project requirements.</p>	YES
Own contribution	Conclusion (YES / NO / N/A)
Auditor verified:	
<p>➤ Whether the final recipient of the support has provided co-financing in monetary form in accordance with the funding decision (except in cases where the project was implemented on a zero-cost basis).</p> <p>Explanation: The invoices for design and construction works from Ehitustrust OÜ, which fall within the audit scope, have been fully paid by the final recipient. For these costs, the grant in the amount of €3,900,107.83 has been disbursed to Riigi Kinnisvara AS in accordance with the approval decision (support rate: 100% of eligible costs). The project has been completed, and the beneficiary has settled all invoices recorded under the project, including those outside the audit scope.</p>	YES
<p>➤ Whether the co-financing is correctly recorded in the beneficiary's accounting system and relevant reports.</p> <p>Explanation: Support rate was 100% of eligible costs. Co-financing (for non-eligible costs during the project) has been properly recorded in the beneficiary's accounting system in accordance with the date of cost incurrence and payment. The support portion and the co-financing share are clearly distinguished using a project-specific code and are reflected in the financial accounting system in compliance with the Public Sector Financial Accounting and Reporting Guidelines, which require accrual-based accounting and project-level segregation. Accounting entries and extracts can be provided if needed to verify the co-financing. Based on the audit review, co-financing is correctly recorded, identifiable by project code, and complies with applicable accounting principles and reporting requirements.</p>	YES
Value Added Tax (VAT)	Conclusion (YES / NO / N/A)
Auditor verified:	
<p>➤ Whether VAT is eligible for the beneficiary,</p> <p>a) it is permitted under the conditions for granting the support, and</p> <p>b) the beneficiary has no right to deduct or reclaim the VAT paid as input VAT in accordance with applicable VAT regulations.</p> <p>Explanation: VAT is not an eligible cost in this project. Riigi Kinnisvara AS (registration code 10788733) has been a VAT payer since 01.09.2001 (VAT number EE100708707), as confirmed on 24.12.2025 through a check in the Estonian Tax and Customs Board's VAT register</p>	YES

<p>(https://apps.emta.ee/saqu/public/kmkrnr). The conditions for granting support stipulate that VAT is eligible only if it is non-recoverable for the beneficiary. In this case, the beneficiary has the right to deduct input VAT; therefore, VAT is not considered an eligible cost in the project. Within the scope of the audit, VAT has not been reimbursed from the grant funds. VAT handling complies with the support conditions and applicable tax legislation.</p>	
<p>➤ Have only VAT amounts that are non-refundable and non-recoverable been declared. Explanation: VAT is not an eligible cost in this project. Riigi Kinnisvara AS (registration code 10788733) has been a VAT payer since 01.09.2001 (VAT number EE100708707), as confirmed on 24.12.2025 through a check in the Estonian Tax and Customs Board's VAT register (https://apps.emta.ee/saqu/public/kmkrnr). The conditions for granting support stipulate that VAT is eligible only if it is non-recoverable for the beneficiary. In this case, the beneficiary has the right to deduct input VAT; therefore, VAT is not considered an eligible cost in the project. Within the scope of the audit, VAT has not been reimbursed from the grant funds. VAT handling complies with the support conditions and applicable tax legislation.</p>	YES
<p>➤ Are there supporting documents (e.g., confirmation from the Estonian Tax and Customs Board) indicating that VAT is non-refundable or non-deductible? If such a document is not available, the auditor will add a note to the working papers stating that no possibility of refund was identified during the review. Explanation: VAT is not an eligible cost in this project. Riigi Kinnisvara AS (registration code 10788733) has been a VAT payer since 01.09.2001 (VAT number EE100708707), as confirmed on 24.12.2025 through a check in the Estonian Tax and Customs Board's VAT register (https://apps.emta.ee/saqu/public/kmkrnr). The conditions for granting support stipulate that VAT is eligible only if it is non-recoverable for the beneficiary. In this case, the beneficiary has the right to deduct input VAT; therefore, VAT is not considered an eligible cost in the project. Within the scope of the audit, VAT has not been reimbursed from the grant funds. VAT handling complies with the support conditions and applicable tax legislation.</p>	YES
<p>➤ Have public sector beneficiaries refrained from declaring VAT for activities falling under the exercise of sovereign powers? If VAT has been declared for activities outside the scope of sovereign powers, has the beneficiary provided confirmation from the competent state authority? Explanation: VAT is not an eligible cost in this project. Riigi Kinnisvara AS (registration code 10788733) has been a VAT payer since 01.09.2001 (VAT number EE100708707), as confirmed on 24.12.2025 through a check in the Estonian Tax and Customs Board's VAT register (https://apps.emta.ee/saqu/public/kmkrnr). The conditions for granting support stipulate that VAT is eligible only if it is non-recoverable for the beneficiary. In this case, the beneficiary has the right to deduct input VAT; therefore, VAT is not considered an eligible cost in the project. Within the scope of the audit, VAT has not been reimbursed from the grant funds. VAT handling complies with the support conditions and applicable tax legislation.</p>	YES
Implementation of Procurement and Purchasing	Conclusion (YES / NO / N/A)
Auditor verified:	
<p>➤ Were the principles of transparency, proportionality, and equal treatment of tenderers observed during the procurement or purchasing procedure. Explanation: Riigi Kinnisvara AS conducted an open tender through the Public Procurement Register, tender No. 270383 "<u>Construction works of Tartu Courthouse</u>", construction works exceeding the international threshold, CPV 45200000-9 Construction work for buildings or parts thereof and civil engineering works. The initial contract notice was published on 25.09.2023 (OJ 25.09.2023), the latest version of the notice was submitted on 23.10.2023 (published in OJ on 24.10.2023), the deadline for submission of tenders was 16.11.2023 at 12:00, tenders were opened on 16.11.2023 at 13:00, and the procurement contract was concluded on 15.02.2024 with Ehitustrust AS (registry code: 12310585, company name changed to Ehitustrust OÜ as of 13.06.2024, Commercial Register entry No. 15) for the tender price of EUR 14,259,002, excluding VAT. The procurement was, to a significant extent, carried out in accordance with the requirements of the Public Procurement Act. The procedure was organised as an international open tender because the estimated contract value exceeded the international threshold. The procurement documentation was properly prepared and included general information, technical specifications, qualification requirements, evaluation criteria, and contract terms. The qualification requirements were justified and related to the subject matter of the contract. The evaluation was based on the predefined criteria. The contracting authority made an error in applying one of the evaluation criteria (the tender with the lowest price receives the maximum number of points), as when using the calculation formula provided in the procurement documents, it incorrectly based the calculation for all tenders (except the lowest-priced</p>	YES

<p>tender) on an incorrect tender price instead of the highest tender price, as required by the formula. This affected the evaluation results of the other tenders under this criterion but did not affect the result of the successful tender, as the maximum points were awarded to the lowest-priced tender submitted by the successful bidder and correctly calculated according to the evaluation criterion. The auditor's review confirmed that the correct recalculation of value points did not change the ranking of the tenders and had no impact on the outcome of the procurement. The successful tenderer was selected correctly. The contract concluded as a result of the tender corresponds to the submitted offer.</p> <p>Two amendments have been made to the procurement contract:</p> <ul style="list-style-type: none"> ➤ On 28.05.2024, the contract was amended pursuant to § 123 (1) point 7 of the Public Procurement Act (the parties have the right to amend the procurement contract if, regardless of the value of the amendment, the change is not substantial) in connection with the replacement of the construction project manager. ➤ On 07.08.2025, the contract was amended pursuant to § 123 (1) point 1 of the Public Procurement Act (the contracting authority has the right to amend the procurement contract if the general nature of the contract is not changed and the value of the amendment does not exceed 15% of the original contract value for construction works) in connection with ordering additional works in the amount of EUR 95,448.80, excluding VAT. <p>The open tender procedure adhered to the principles of transparency (information was accessible to all potential bidders through the register), proportionality (conditions and requirements matched the scope and complexity of the contract), and equal treatment of bidders (conditions were the same for all interested parties, and evaluation was based on objective criteria). No violations or unfair treatment were identified. Therefore, all costs incurred under the procurement, including invoices reviewed within the audit scope, are considered justified and eligible.</p>	
<ul style="list-style-type: none"> ➤ Have the requirements of the Public Procurement Act been complied with in the case of public sector beneficiaries. <p>Explanation: Riigi Kinnisvara AS adhered to the requirements of the Public Procurement Act in the open tender through the Public Procurement Register, tender No. 270383 "<u>Construction works of Tartu Courthouse</u>", including bidder notification, equal treatment, transparency of evaluation, and proportionality. No violations or unfair treatment were identified during the audit.</p>	YES
<ul style="list-style-type: none"> ➤ Were the costs incurred under the project above the thresholds set in the Public Procurement Act, and if so, was an appropriate procurement procedure conducted in accordance with the Act. <p>Explanation: Riigi Kinnisvara AS conducted an open tender through the Public Procurement Register, tender No. 270383 "<u>Construction works of Tartu Courthouse</u>", construction works exceeding the international threshold, CPV 45200000-9 Construction work for buildings or parts thereof and civil engineering works. The procurement contract was concluded on 15.02.2024 with Ehitustrust AS (registry code: 12310585, company name changed to Ehitustrust OÜ as of 13.06.2024, Commercial Register entry No. 15) for the tender price of EUR 14,259,002, excluding VAT.</p> <p>The procedure and contract value exceed the international procurement threshold (€5538000). The procurement procedures were selected in accordance with the Public Procurement Act, considering the value of the works, and comply with the requirements of the Act, ensuring transparency, proportionality, and equal treatment.</p>	YES
<ul style="list-style-type: none"> ➤ Did the successful tenderer and its bid comply with the procurement notice and the tender documents. <p>Explanation: In the open tender procedure (Notice No. 270383 "<u>Construction works of Tartu Courthouse</u>", CPV 45200000-9 Construction work for buildings or parts thereof and civil engineering works), the successful bidder Ehitustrust AS and its offer complied with the invitation to tender and the procurement documentation. The contracting authority applied the following evaluation criteria to determine the most economically advantageous tender: Tender price – 80%, Additional site manager for the project – 3%, Site manager's competence – 2%, and Work organisation questionnaire – 15%. Based on the evaluation of these criteria, the tender submitted by Ehitustrust AS was determined to be the most economically advantageous and was therefore selected as the contractor for the works under the procurement contract.</p>	YES
<ul style="list-style-type: none"> ➤ Was the procurement procedure transparent, justified, and non-discriminatory. <p>Explanation: In the open tender procedure (Notice No. 270383 "<u>Construction works of Tartu Courthouse</u>", CPV 45200000-9 Construction work for buildings or parts thereof and civil engineering works), the process was conducted through the Public Procurement Register. The scope of the works and</p>	YES

<p>evaluation criteria were clearly defined in advance. The initial contract notice was published on 25.09.2023 (OJ 25.09.2023), the latest version of the notice was submitted on 23.10.2023 (published in OJ on 24.10.2023), the deadline for submission and opening of bids were fixed, ensuring equal opportunities for all interested bidders. Evaluation was based on the predefined criteria. Therefore, the procedure can be assessed as transparent, justified, and non-discriminatory.</p>	
<p>➤ Was the contract concluded with the tenderer offering the best price-quality ratio or the lowest price, in accordance with the evaluation criteria set out in the tender documents.</p> <p>Explanation: In the open tender procedure (Notice No. 270383 “<u>Construction works of Tartu Courthouse</u>”, CPV 45200000-9 Construction work for buildings or parts thereof and civil engineering works), the successful bidder Ehitustrust AS and its offer complied with the invitation to tender and the procurement documentation. The contracting authority applied the following evaluation criteria to determine the most economically advantageous tender: Tender price – 80%, Additional site manager for the project – 3%, Site manager’s competence – 2%, and Work organisation questionnaire – 15%. By decision of the Management Board of Riigi Kinnisvara AS on 22.12.2023, it was decided: 3. To declare the tender submitted by AS Ehitustrust as the successful tender, being the tender with the highest number of value points and deemed compliant (§ 117 (1) of the Public Procurement Act). The successful tender received 100 points and its price is EUR 14,259,002 (excluding VAT). 4. Not to exclude the successful tenderer AS Ehitustrust, as there are no grounds for exclusion under § 95 (1) and (4) of the Public Procurement Act. 5. To qualify the successful tenderer AS Ehitustrust, as it meets all qualification requirements set out in the contract notice.</p> <p>The procurement contract was concluded on 15.02.2024 with Ehitustrust AS (registry code: 12310585, company name changed to Ehitustrust OÜ as of 13.06.2024, Commercial Register entry No. 15) for the tender price of EUR 14,259,002, excluding VAT.</p> <p>The contract was concluded in accordance with the evaluation criteria set out in the procurement documentation, selecting the bidders who submitted the tender offering the best price-quality ratio.</p>	YES
<p>➤ Was the contract concluded under conditions consistent with the tender and the procurement documents.</p> <p>Explanation: The conditions set out in the open tender procedure (Notice No. 270383 “<u>Construction works of Tartu Courthouse</u>”) and in the contract signed on 15 February 2024 with Ehitustrust AS are consistent and have not been altered.</p>	YES
<p>➤ Was the procurement contract concluded without a conflict of interest, and is the contracting partner not a related party.</p> <p>Explanation: The procurement contract was signed with Ehitustrust AS (registry code 12310585) without any apparent conflict of interest. The audit did not reveal any evidence that the company’s management or employees were connected to employees of Riigi Kinnisvara AS in a way that could compromise the impartiality of the procurement process. Therefore, the contract can be considered independent, and the contracting partner was not a related party. Auditors reviewed connections in the Business Register <u>OÜ Ehitustrust e-Äriregister</u>).</p>	YES
<p>➤ If a framework agreement was used, was it concluded in compliance with the principles of transparency and best price-quality ratio.</p> <p>Explanation: No framework agreement was used within the scope of the project; therefore, the question of compliance with transparency and price-quality principles in the context of a framework agreement is not applicable.</p>	N/A
<p>➤ Is all procurement documentation (including notices, minutes, quotations, contracts, etc.) available, complete, and auditable.</p> <p>Explanation: The procurement documentation for tender, including notices, protocols, bids, contracts, and contract performance documents, is complete, available, and verifiable from an audit perspective. For the open tender (Notice No. 270383), several documents are managed independently of the contracting authority in the Public Procurement Register, ensuring transparency and auditability.</p>	YES
<p>➤ Have similar or functionally related purchases not been artificially split to avoid the application of procurement or purchasing procedures.</p> <p>Explanation: The audit did not identify any artificial splitting of similar or functionally related purchases to avoid the application of procurement procedures. Riigi Kinnisvara AS conducted an open international tender through the Public Procurement Register, tender No. 270383 “<u>Construction works of Tartu Courthouse</u>”, construction works were procured through a unified and transparent process in compliance with the applicable public procurement requirements.</p>	YES

<p>➤ Have any modifications been made to the project, and if so, were they carried out in compliance with the Public Procurement Act and the grant conditions.</p> <p>Explanation: During implementation, two amendments have been made to the procurement contract: On 28.05.2024, the contract was amended pursuant to § 123 (1) point 7 of the Public Procurement Act (the parties have the right to amend the procurement contract if, regardless of the value of the amendment, the change is not substantial) in connection with the replacement of the construction project manager. On 07.08.2025, the contract was amended pursuant to § 123 (1) point 1 of the Public Procurement Act (the contracting authority has the right to amend the procurement contract if the general nature of the contract is not changed and the value of the amendment does not exceed 15% of the original contract value for construction works) in connection with ordering additional works in the amount of EUR 95,448.80, excluding VAT. The tender procedure adhered to the principles of transparency, proportionality, and equal treatment of bidders. All costs incurred under the procurement and reviewed within the audit scope are considered justified and eligible.</p>	YES
Personnel-related costs and other costs, including administrative costs for implementing State Shared Services Centre measures	
<p>The auditor verifies personnel costs based on a sample (10% of the total amount). Other costs are checked based on the following approach: Full review if there are fewer than 10 cost lines; If there are more than 10 cost lines, the auditor reviews either 10 lines or 10% of the cost lines, whichever is greater.</p>	Conclusion (YES / NO / N/A)
<p>➤ What methodology is used for determining personnel costs and linking them to the funding;</p> <p>➤ Does the calculation of personnel costs comply with the applicable grant conditions and permitted accounting principles;</p> <p>➤ Is the link between personnel costs and the project sufficiently evidenced (including project-related tasks, working time, and workload proportion);</p> <p>➤ Are relevant documents such as employment contracts, job descriptions, or task allocations available to demonstrate the employees' connection to funded activities;</p> <p>➤ Is the portion of working time reimbursed from the funding correctly calculated and documented;</p> <p>➤ Are tasks not related to the funding correctly separated;</p> <p>➤ Are travel expenses and daily allowances correctly defined and linked to the project, in accordance with the beneficiary's internal rules and applicable legislation;</p> <p>➤ Do training costs (if any) comply with applicable legislation and are they justified in the context of the project objectives.</p> <p>Explanation: No personnel costs, travel expenses, training costs, or similar expenses occurred in the final recipient's project during the audit scope period (2023 and 2024).</p>	N/A
<p>➤ What methodology is used for determining other costs and linking them to the funding;</p> <p>➤ Are "other costs" (including office supplies, software, administrative expenses, etc.) eligible and directly related to project implementation;</p> <p>➤ Are the costs correctly identified and attributed to the project;</p> <p>➤ Are the items listed on invoices not recorded as fixed assets, and is the accounting treatment consistent with the beneficiary's usual accounting practices;</p> <p>➤ Do other costs comply with internal cost-handling rules and are they proportionate to the scope and objectives of the project;</p> <p>➤ For procurements classified under "other costs," have procurement or purchasing procedures been followed (see section "Procurement and Purchasing").</p> <p>Explanation: No other costs were incurred in the final recipient's project during the audit scope period (2023 and 2024).</p>	N/A
Document Retention	
Auditor verified:	Conclusion (YES / NO / N/A)
<p>➤ Has the final recipient retained all cost documentation and project reports in a manner that ensures a clear and traceable audit trail for activities and expenditures.</p> <p>Explanation: The final beneficiary has retained all cost documentation and project reports in a manner that ensures a clear and traceable audit trail. During</p>	YES

<p>the on-site inspection on 22 December 2025, all project documents—including invoices, payment orders, contracts, council decisions, and reports—were easily accessible. The link between the documents and project activities and costs is clearly traceable, and supporting documentation exists for each expense, enabling full verification and auditability.</p> <p>Financial accounting is carried out using the SAP financial software, and the project code for the Tartu Courthouse is 900631. Accounting documents are stored in the IT systems Tuumik and SAP at RKAS AS for at least 7 years. Retention periods are defined in the document list (tab Financial_Accounting, series code FIR-33).</p> <p>Invoices go through an approval workflow in Tuumik, where they are approved in accordance with RKAS AS internal accounting rules (i.e., first approved by the respective project manager, second by the project director, and third, if necessary, by the development director for invoices starting from EUR 3,000 excluding VAT). The project manager links the invoice to the work handover and acceptance certificate. Invoices are assigned the project code and cost centers. Entries are transferred from Tuumik to SAP, where the payment file is generated. The storage location for invoices is Tuumik. Project cost documents can be identified based on project code 900631. Payment documents include the name of the payee institution and the invoice number.</p> <p>Personnel costs were not included in the audit scope; however, in addition to the above, the personnel management software Persona is used, where timesheets are completed (employees associated with the project record their working time based on the project code, which forms the basis for payroll and operating costs).</p> <p>Procurement-related documents are stored in the RKAS AS digital procurement environment, and construction-related documentation is stored in the RKAS project digital environment.</p> <p>In the auditor's opinion, the document retention and traceability requirements have been met, and the systems ensure cost control and transparency.</p>	
<p>➤ Has it been ensured that the final recipient retains all documents and data related to the grant, including information on payments and expenditures, for at least five years from the date of the last payment of the project or measure (as required by Article 16(5) of Regulation (EU) 2020/1001).</p> <p>Explanation: Retention of documents for at least five years from the last project payment is ensured. Accounting documents are stored in the IT systems Tuumik and SAP at RKAS AS for at least 7 years. Retention periods are defined in the document list (tab Financial_Accounting, series code FIR-33), as approved by the Management Board decision of 23.10.2025 (minutes No. YLD-3/2025). According to the auditor's assessment, the document retention obligation has been fulfilled and complies with EU and national requirements. This obligation is also known to employees involved in the project.</p>	YES
<p>Communication and Visibility (Article 17)</p>	Conclusion
<p>Auditor verified:</p>	(YES / NO / N/A)
<p>➤ Has the final recipient of the support complied with the European Union's communication and visibility requirements (including proper use of the EU and Modernisation Fund logos, clear indication of the amount and origin of the support; implementation of communication activities, such as notice boards in strategic locations visible to the public and other information aimed at the general public);</p> <ul style="list-style-type: none"> ○ If the final recipient is required to install notice boards on sites and facilities, the presence of such boards is verified, along with proper references to EU and Modernisation Fund co-financing and compliance of the visual identity with the EU and the grant conditions guidelines (according to the grant conditions, §19: During construction works related to the project, an information board must be placed in the project area, which must include at least: the project title; the contractor; the completion deadline; additional wording: "The reconstruction is supported by the Modernisation Fund"; the logo of the ministry responsible for the sector and the State Shared Service Centre). <p>Explanation: Riigi Kinnisvara had installed an information board at the site, during the construction works, the board was present and complied with the requirements.</p> <ul style="list-style-type: none"> ○ If the final recipient has used informational materials (e.g., printed publications, websites, videos) when utilizing the funding or presenting projects and their results, it is verified whether these materials include proper references to EU and Modernisation Fund co-financing and whether the visual 	YES

<p>identity complies with the EU and grant conditions guidelines;</p> <ul style="list-style-type: none"> ○ If information on the use of funding has been published in the final recipient's public communications (e.g., on its website, in annual reports, press releases, or other sources aimed at the general public), the presence of proper references to EU and Modernisation Fund co-financing is assessed, along with compliance of the visual identity with the EU and grant conditions guidelines, and the accuracy and timeliness of the information (e.g., funding amounts, purpose of the support, project period, etc.); ○ If the final recipient has informed the public about receiving the support (e.g., when presenting projects and their results), it is assessed whether appropriate, coherent, effective, and proportionate information has been provided to different target groups, including the media and the general public. <p>Explanation: The audit confirmed that the final recipient complied with all project-related communication obligations and installed an information board at the site during construction in accordance with the requirements applicable at that time. In addition, after the completion of construction, a information plate has been installed in a publicly visible location on the site, which complies with the established communication and visibility requirements. This ensures transparency of project funding and public awareness.</p>	
<p>➤ Is the information provided up to date and free from substantive inaccuracies or omissions that could affect the transparency of the support and public awareness of the funding source</p> <p>Explanation: During the audit, no evidence was found that the information presented in relation to the funding received from the Modernisation Fund under the project was inaccurate, incomplete, or in any way detrimental to the transparency of the support or public awareness of its origin. All data provided was current and sufficient for the implementation of the project.</p>	YES