

<b>AUDIT REPORT</b>	<b>Date: 31.12.2025</b>	<b>Prepared by: Maarja Kilter (Head on Internal Audit Department)</b>	<b>Reference nr: A1-3</b>
---------------------	-------------------------	---	---------------------------

<b>Title</b>	<b>Audit on the Use of Modernisation Fund Support in Estonia (costs up to 31.12.2024)</b>
<b>Objective</b>	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.
<b>Scope</b>	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 (Muuhu 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.
<b>Scope limitation</b>	The audit does not include: <ul style="list-style-type: none"> <li>➤ An assessment of the Ministry of Climate's management and control systems (MCS) for submitting Modernisation Fund investment proposals and reporting;</li> <li>➤ 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;</li> <li>➤ An assessment of the MCS of the State Shared Service Centre in processing project applications and reporting for these measures;</li> <li>➤ An evaluation of the impact of investments on energy efficiency and the modernisation of the energy system.</li> </ul>

## 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), §165<sup>1</sup> 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 m<sup>2</sup> 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
<b>TOTAL</b>		<b>262002,85</b>

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
<b>TOTAL</b>		<b>3974657,83</b>

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
<b>TOTAL</b>		<b>86776,47</b>

- **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 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“
Project submitter / final recipient (name of institution)	Põltsamaa Municipal Government ( <i>Põltsamaa Vallavalitsus</i> )
Project number	Kliima2.8.01.24-0060
Project title	Energy Efficiency Improvement of the Educational Building at Lille Street 2/3 in Põltsamaa ( <i>Põltsamaa linnas asuva Lille tänav 2/3 õppehoone energiatõhususe parandamine</i> )
Decision forming the basis for Modernisation Fund financing	Decision of the Head of the Grants Implementation Department of the State Shared Services Centre, 24 May 2024, No. 11.2-54/24/521 ‘Approval of the application submitted by Põltsamaa Municipal Government’.
Project eligibility period	06.05.2024 – 30.01.2027 ( <i>Although the eligibility period is 06.05.2024 – 30.01.2027, the construction works were completed in August 2025, ahead of schedule. The project will be considered fully completed after the final report has been reviewed and approved by the State Shared Service Centre</i> ).
Total amount of eligible project costs (in euros)	720 840,00 (100%)
Maximum amount of Modernisation Fund financing (in euros)	482 962,80 (67%)
Minimum amount of co-financing (in euros)	237 877,20 (33%)
Audited period and amount of Modernisation Fund financing up to 31.12.2024 (in euros)	156 519,57
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 67%)	Modernisation Fund funding payment order number and date	Procurement
183 (30.09.2024)	BUENO OÜ	Design, including expert assessment	15128,00 (VAT 2728,00)	No. 7870 (15.10.2024) in the amount of 17894,09 euros (included payment for invoices No 183 in the amount of 15128,00 euros and No 185 in the amount of 2766,09 euros)	14851,54	9950,53	PO34936 (29.11.2024)	Procurement No. 281922, works contract
2024/202346 (30.08.2024)	INVERNO Grupp OÜ	Site supervision service for design and construction works, Act No. 1	342,82 (VAT 61,82)	No. 6706 (05.09.2024) in the amount of 342,82 euros	336,55	225,49	PO34932 (29.11.2024)	Procurement below the simple procurement threshold, mandate contract
2024/202357 (30.09.2024)	INVERNO Grupp OÜ	Site supervision service for design	1079,70 (VAT 194,70)	No. 7571 (07.10.2024) in the amount of 1079,70 euros	1059,94	710,16	PO34932 (29.11.2024)	Procurement below the simple

		and construction works, Act No. 2						procurement threshold, mandate contract
192 (31.10.2024)	BUENO OÜ	Construction Works, Construction works certificate No. 2	149337,15 (VAT )	No. 8765 (15.11.2024) in the amount of 149337,15 euros	139657,95	<b>93570,83</b>	PO35183 (06.12.2024)	Procurement No. 281922, works contract
2024/202367 (31.10.2024)	INVERNO Grupp OÜ	Site supervision service for design and construction works, certificate No. 3	1079,70 (VAT 194,70)	No. 8318 (01.11.2024) in the amount of 1079,70 euros	1059,94	<b>710,16</b>	PO34932 (29.11.2024)	Procurement below the simple procurement threshold, mandate contract
2024/202383 (30.11.2024)	INVERNO Grupp OÜ	Site supervision service for design and construction works, certificate No. 4	1079,70 (VAT 194,70)	No. 9270 (05.12.2024) in the amount of 1079,70 euros	1059,97	<b>710,18</b>	PO35512 (13.12.2024)	Procurement below the simple procurement threshold, mandate contract
217 (30.11.2024)	BUENO OÜ	Construction Works, Construction works certificate No. 3	75650,07 (VAT 13641,82)	No. 9356 (06.12.2024) in the amount of 75650,07 euros	75585,41	<b>50642,22</b>	PO35515 (13.12.2024)	Procurement No. 281922, 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 have, to a significant extent, complied with applicable public procurement requirements, and no violations or other deficiencies were identified during the audit.

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)
<b>Auditor verified:</b>	
➤ 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).	<b>YES</b>

**Explanation:** The target of the project is a building located in the town of Põltsamaa (Building Register Code 120267931), at the address Lille tn 2/3,

Põltsamaa town, Põltsamaa municipality, Jõgeva county (cadastral identifier 61701:001:0002). The building was constructed in 1981 (according to the Building Register, 1976). The building is used as a study facility for Põltsamaa Secondary School, housing classrooms and practical training rooms for craft education. At the time of application submission, the building's net area was recorded in the Building Register as 600.7 m<sup>2</sup>; this was later adjusted during design work and precise measurements to 617.5 m<sup>2</sup>. The building is used for providing services under § 6(1) and (2) of the Local Government Organisation Act.

The building's external perimeter, including the roof, exterior walls, and foundation, is original and lacks insulation. The concrete floor rests on the ground and is uninsulated. The building's technical systems mostly date back to the time of construction and are worn out. The building has no ventilation system, except for an exhaust in the practical craft classroom. The heating system is a single-pipe system, meaning it cannot be regulated. The building's energy performance indicator under typical conditions is 315 kWh/(m<sup>2</sup>·a), energy class G.

**Project objective** is to ensure improved energy efficiency and compliance with indoor climate requirements.

**Project outcomes:**

- Insulation of exterior walls with 200 mm insulation;
- Insulation of the plinth and foundation with 150 mm insulation, reconstruction and insulation of the floor;
- Installation of triple-glazed windows aligned with the insulation layer and replacement of exterior doors with energy-efficient ones;
- Insulation of the roof with at least 300 mm insulation;
- Reconstruction of the heating system and heat substation;
- Reconstruction of water and sewer systems, including installation of domestic hot water piping under the support measure;
- Installation of heat recovery ventilation;
- Reconstruction of the electrical system – installation of LED lighting and solar panels on the roof with a capacity of 19 kWp.

At the time of application, the energy performance indicator under typical conditions was 315 kWh/(m<sup>2</sup>·a), energy class G. After reconstruction with the energy-saving package, the indicator will be 103 kWh/(m<sup>2</sup>·a), energy class B. As a result of the project, electricity consumption will decrease by 12 MWh and heat consumption by 51 MWh annually, with an estimated annual savings of approximately €2,600.

**The audit covers costs related to design, construction works, and site supervision**, which are eligible under § 5(3) points 1–9 and 12 of the Regulation of the Minister of Finance No. 36 of 26 September 2023 “Conditions and Procedure for Using Support from the Modernisation Fund for Improving the Energy Efficiency of Local Government Buildings.” According to these provisions, the following costs are eligible for energy efficiency works: insulation costs; replacement of openings (doors, windows, etc.); costs of upgrading heating systems, heat supply, and domestic hot water systems; costs of installing or upgrading ventilation systems; costs of installing cooling systems where required to ensure compliance with indoor climate requirements; costs related to procurement and installation of renewable energy systems, automation and smart control devices, including sensors and data acquisition systems enabling assessment of project results; costs of solar protection solutions; costs of upgrading lighting; costs of modifying or replacing building envelope, load-bearing, and stiffening structures where necessary for installing energy efficiency systems, renewable energy solutions, or insulation, as well as costs of design, site supervision during construction, and involvement of an energy efficiency expert, system adjustment costs, and, for cultural heritage sites, costs of preparing heritage conditions and conducting necessary studies for planning works.

At the time of application, it was confirmed that:

- The building will be used partially or fully for providing services under § 6(1) and (2) of the Local Government Organisation Act for at least five years after project completion;
- At least 90% of the heated net area will be used for five years after project completion;
- In the building or part of the building where public services are provided, compliance with the requirements set out in the Regulation of the Minister of Economic Affairs and Communications of 29 May 2018 “Requirements for Buildings Arising from the Special Needs of Persons with Disabilities” will be ensured during reconstruction and extension.

<p><b>Project implementer is Põltsamaa Municipal Government</b> and project will be implemented 06.05.2024 – 30.01.2027: design, including expert review: 06.05.2024 – 31.10.2024; construction, including site supervision: 01.11.2024 – 30.01.2027.</p> <p><b>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.</b></p>	
<ul style="list-style-type: none"> <li>➤ 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).</li> </ul> <p><b>Explanation:</b> The application was accompanied by an energy audit prepared by Säästuenergia OÜ, work No. EA240108-3 “Energy Audit – Workshop-Garage” (26 April 2024), which supports the objectives of the application. According to the project application, the activities necessary to improve indoor climate and energy efficiency in the building are:</p> <ul style="list-style-type: none"> <li>➤ Insulation of exterior walls with 200 mm insulation;</li> <li>➤ Insulation of the plinth and foundation with 150 mm insulation, in addition to reconstruction and insulation of the floor;</li> <li>➤ Installation of triple-glazed windows aligned with the insulation layer and replacement of exterior doors with energy-efficient ones;</li> <li>➤ Insulation of the roof with at least 300 mm insulation;</li> <li>➤ Reconstruction of the heating system and heat substation;</li> <li>➤ Reconstruction of water and sewer systems, including installation of domestic hot water piping under the support measure;</li> <li>➤ Installation of heat recovery ventilation;</li> <li>➤ Reconstruction of the electrical system – installation of LED lighting and solar panels on the roof with a capacity of 19 kWp.</li> </ul> <p>Extracts from the application:</p> <p>“... The objective of the project is to ensure better energy efficiency and compliance with indoor climate requirements ...”</p> <p>“... At present, the energy performance indicator under typical conditions is 315 kWh/(m<sup>2</sup>·a), energy class G. After reconstruction with the energy-saving package, the indicator will be 103 kWh/(m<sup>2</sup>·a), energy class B. As a result of the project, electricity consumption will decrease by 12 MWh and heat consumption by 51 MWh annually, with an estimated annual savings of approximately €2,600 ...”</p> <p>“... Cross-sector indicators:</p> <ul style="list-style-type: none"> <li>➤ Total CO<sub>2</sub> emissions, tonnes/year: 24.70 (initial), 11.50 (target)</li> <li>➤ Energy supplied to the building, EUR/year: 13,037.00 (initial), 10,462.00 (target)</li> <li>➤ Energy supplied to the building, kWh/year: 125,400.00 (initial), 62,900.00 (target) ...”</li> </ul> <p>No change of heating system or heating source is planned; it will be reconstructed. The building is connected to the district heating network, which is efficient. The heating system uses radiators, but the heat substation lacks a heat exchanger and an outdoor temperature sensor. Domestic hot water is heated using electric boilers.</p> <p><b>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.</b></p>	YES
<ul style="list-style-type: none"> <li>➤ 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).</li> </ul> <p><b>Explanation:</b> The project application specifies the following target indicators:</p> <ul style="list-style-type: none"> <li>➤ Total CO<sub>2</sub> emissions, tonnes/year: 24.70 (initial), 11.50 (target)</li> <li>➤ Energy supplied to the building, EUR/year: 13,037.00 (initial), 10,462.00 (target)</li> </ul>	YES

<ul style="list-style-type: none"> <li>➤ Energy supplied to the building, kWh/year: 125,400.00 (initial), 62,900.00 (target) These indicators confirm that, as a result of the reconstruction works, the building's energy consumption and CO<sub>2</sub> emissions should be reduced.</li> </ul> <p><b>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.</b></p>	
<ul style="list-style-type: none"> <li>➤ 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 CO<sub>2</sub> emissions) and a description of the measurement methodology, ensuring transparent, reliable and Modernisation Fund-compliant information on the achievement of results.</li> </ul> <p><b>Explanation:</b> The project works have been completed ahead of the initially planned end date (30 January 2027). The final project report is currently under review (December 2025). Building permit No. 2412271/07401 was issued on 16 October 2024, and occupancy permit No. 2512371/08477 was issued on 12 August 2025 (Building Register Code 120267931).</p>	
<p>The project application defined initial and target indicators (based on the energy audit prepared by Säästtuenergia OÜ, work No. EA240108-3 “Energy Audit – Workshop-Garage” dated 26 April 2024); however, actual results will only be assessed after sufficient post-completion data becomes available.</p> <ul style="list-style-type: none"> <li>➤ Total CO<sub>2</sub> emissions, tonnes/year: 24.70 (initial), 11.50 (target)</li> <li>➤ Energy supplied to the building, EUR/year: 13,037.00 (initial), 10,462.00 (target)</li> <li>➤ Energy supplied to the building, kWh/year: 125,400.00 (initial), 62,900.00 (target)</li> </ul>	YES
<p>According to the decision approving the application, the beneficiary is obliged to submit reports via the Structural Funds Register on greenhouse gas emission savings for full years following the project by 15 February 2029, 15 February 2030, and 15 February 2031. The report must reflect at least the reduction in energy supplied to the building as a result of energy efficiency works, expressed both in energy and maintenance cost units, and its impact on greenhouse gas emissions compared to the pre-project indicators stated in the building's energy audit.</p> <p><b>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.</b></p>	
<ul style="list-style-type: none"> <li>➤ 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.</li> </ul>	
<p><b>Explanation:</b> 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 significant harm” principle or the assurance of climate resilience of the supported infrastructure.</p> <p>Similarly, the Regulation of the Minister of Finance No. 36 of 26 September 2023 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>	N/A
<p>The Modernisation Fund Assessment Guidance Document (p. 9) states: “<i>Do no significant harm</i>” 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.”</p>	
<p><b>The ‘Do No Significant Harm’ (DNSH) principle became mandatory from 1 January 2025. At the time of project planning, this requirement was</b></p>	

<b>not applicable; therefore, no non-compliance was identified. Future programmes will need to comply with DNSH requirements effective from 1 January 2025.</b>		
➤ 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.		
<b>Explanation:</b> Pursuant to §1(3) of the Regulation of the Minister of Finance No. 36 of 26 September 2023, no State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union and no de minimis aid is granted. The beneficiary is a local authority; therefore, the beneficiary is not a recipient of State aid or de minimis aid. <b>The project financing arrangement is in compliance with the European Union State aid rules and Chapter 6 “State Aid” of the Estonian Competition Act. The status of the beneficiary and the financing conditions exclude the application of State aid.</b>		N/A
<b>Scope of activities and exclusions:</b>		
➤ 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;		
➤ 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.		
<b>Explanation:</b> During the project, the building’s exterior walls, roof, plinth, foundation, and floor will be insulated. Windows and doors will be replaced with energy-efficient alternatives. The heating system and heat substation will be upgraded, and the water and sewer systems will be reconstructed. A heat recovery ventilation system will be installed. The electrical system will be modernized, LED lighting added, and solar panels installed on the roof. No investments will be made in energy production facilities operating on fossil fuels; coal, lignite, or other solid fossil fuels will not be used. The application includes a formal confirmation stating: “I confirm that the project does not plan (including outside the project scope) the use of fossil fuels to meet the energy demand of the reconstructed building.” <b>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.</b>		N/A
<b>Actual Implementation of Activities and Achievement of Impacts</b> (exclusion of activities: the auditor does not perform or commission an energy audit or CO <sub>2</sub> reduction calculations)		<b>Conclusion (YES / NO / N/A)</b>
<b>Auditor verified:</b>		
➤ 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.		
<b>Explanation:</b> The application listed the following main activities: design, including expert review: 06.05.2024 – 31.10.2024; construction, including site supervision: 01.11.2024 – 30.01.2027. As a result of the audit procedures, it was established that the planned procurements have been carried out, and the design works and expert reviews, construction, including site supervision, have been completed and properly documented (the audit scope covers costs up to 31.12.2024). The project construction works have been completed ahead of the initially planned end date (30 January 2027). The final project report is currently under review (December 2025). Building permit No. 2412271/07401 was issued on 16 October 2024, and occupancy permit No. 2512371/08477 was issued on 12 August 2025 (Building Register Code 120267931). <b>Therefore, the activities of the final recipients 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.</b>		YES
➤ 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.		YES
<b>Explanation:</b> The project eligibility period is 06.05.2024 – 30.01.2027. The applicant has confirmed that the activities for which support is requested were not started before the submission of the application. The planned procurements have been carried out, and the design works and expert reviews,		

<p>construction, including site supervision, have been completed and documented (the audit scope covers costs up to 31.12.2024). Procurement No. 281922 “Design and Construction Works for the Põltsamaa Lille tn 2/3 Study Building” was published on 2 July 2024, and invitations for bids for site supervision services were sent between 14–17 August 2024, which confirms that no activities were started before the eligibility period. The project construction works have been completed ahead of the initially planned end date (30 January 2027). The final project report is currently under review (December 2025). Building permit No. 2412271/07401 was issued on 16 October 2024, and occupancy permit No. 2512371/08477 was issued on 12 August 2025 (Building Register Code 120267931). <b>Therefore, the activities have been largely implemented within the prescribed timeframe and in accordance with the schedule presented in the application or other financing document, including any approved modifications.</b></p>	
<ul style="list-style-type: none"> <li>➤ 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 CO<sub>2</sub> emissions), and whether the reported results are sufficiently substantiated / documented (where possible with photos, data records, etc.).</li> </ul> <p><b>Explanation:</b> At the time of approving the audit report, it is not possible to fully assess the achievement of the objectives set out in the application and financing documents (including improvement in energy efficiency, energy savings in MWh, and reduction of CO<sub>2</sub> emissions). Although the project works and project are completed, actual energy consumption data for the building will only be available after one year of operation. The recipient is obliged to submit reports via the Structural Funds register on greenhouse gas emission savings for the full years following the project by 15 February 2029, 15 February 2030, and 15 February 2031. These reports must include at least the reduction in energy delivered to the building as a result of the energy efficiency works, expressed both in energy and maintenance cost units, and the corresponding impact on greenhouse gas emissions compared to the pre-project indicators stated in the building’s energy audit. <b>The audit revealed that activities have so far been implemented largely in accordance with the planned schedule, and the project has created all prerequisites for achieving the objectives by the end of the project.</b></p>	N/A
<b>Accounting</b>	<b>Conclusion (YES / NO / N/A)</b>
<b>Auditor verified:</b> <ul style="list-style-type: none"> <li>➤ 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.</li> </ul> <p><b>Explanation:</b> The project’s costs and revenues have been systematically recorded in the accounting system using a specific coding structure. In the accounting statement submitted by the final recipient, project-related expenses are clearly identified with a dedicated code (Project: 24-1-01-9 Improvement of Energy Efficiency of the Study Building at Lille tn 2/3) ensuring a transparent link between costs, revenues, and project activities. <b>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.</b></p>	YES
<ul style="list-style-type: none"> <li>➤ 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.</li> </ul> <p><b>Explanation:</b> The project application includes, among other things, the following confirmation: “I confirm that I have not received and will not receive support from the state budget, the European Union, or other external financial instruments for reimbursing the same cost within three years preceding the application.” Within the scope of the audit, the costs under review were not allocated across multiple projects (the audit covered invoices from Inverno Grupp OÜ: No. 2024/202346, No. 2024/202357, No. 2024/202367, No. 2024/202383, and BUENO OÜ: No. 183, No. 192, No. 217). <b>Since these costs are fully related to a single project activity, it was not necessary to establish separate allocation keys.</b></p>	N/A
<ul style="list-style-type: none"> <li>➤ 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</li> </ul>	YES

documents reflecting these costs from other documents).	
<b>Explanation:</b> Within the scope of the audit, the costs under review were not allocated across multiple projects (the audit covered invoices from Inverno Grupp OÜ: No. 2024/202346, No. 2024/202357, No. 2024/202367, No. 2024/202383, and BUENO OÜ: No. 183, No. 192, No. 217). These costs are clearly identifiable in the accounting records and linked exclusively to the activities of the assessed project, ensuring proper traceability and preventing double reimbursement.	
➤ 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.).	
<b>Explanation:</b> The project application includes, among other things, the following confirmation: "I confirm that I have not received and will not receive support from the state budget, the European Union, or other external financial instruments for reimbursing the same cost within three years preceding the application." The final recipient has provided the necessary confirmations to prevent double financing, supporting accurate cost reporting and compliance with funding rules. The State Shared Service Centre performed a double-financing check on has carried out double-financing checks based on the SFOS cost document checklist on 26.11.2024, 03.12.2024, and 10.12.2024, ensuring that the same cost has 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.). <b>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.</b>	YES
➤ whether the costs are recorded in the final recipient's accounting system or reflected in tax documents.	
<b>Explanation:</b> The final recipient provided an extract from its accounting system confirming that the costs are recorded in the accounting records. The project costs are properly registered in the accounting system and reflected in tax documents, ensuring traceability and verifiability of the expenditures.	YES
➤ (A) for the Ministry of Climate: whether the funding has been transferred through payments to the final recipients or to the responsible ministries; ➤ (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; ➤ (C) for State Shared Service Centre: whether the funding has been disbursed to the final recipients based on supporting documents.	
<b>Explanation:</b> 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). <b>State Shared Service Centre has disbursed the funding to the final recipient for the costs within the scope of the audit.</b>	YES
<b>Overall Financial Accounting Aspects</b>	<b>Conclusion (YES / NO / N/A)</b>
<b>Auditor verified:</b>	
➤ 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 ministry or the State Shared Service Centre (e.g., through a contract amendment, correspondence, or reporting).	
<b>Explanation:</b> The audit scope covered costs related to design, construction works, and site supervision, which are eligible under § 5(3) points 1–9 and 12 of the Regulation of the Minister of Finance No. 36 of 26 September 2023 "Conditions and Procedure for Using Support from the Modernisation Fund for Improving the Energy Efficiency of Local Government Buildings." According to these provisions, the following costs are eligible for energy efficiency works: insulation costs; replacement of openings (doors, windows, etc.); costs of upgrading heating systems, heat supply, and domestic hot water systems; costs of installing or upgrading ventilation systems; costs of installing cooling systems where required to ensure compliance with indoor climate requirements; costs related to procurement and installation of renewable energy systems, automation and smart control devices, including sensors and data	YES

acquisition systems enabling assessment of project results; costs of solar protection solutions; costs of upgrading lighting; costs of modifying or replacing building envelope, load-bearing, and stiffening structures where necessary for installing energy efficiency systems, renewable energy solutions, or insulation, as well as costs of design, site supervision during construction, and involvement of an energy efficiency expert, system adjustment costs, and, for cultural heritage sites, costs of preparing heritage conditions and conducting necessary studies for planning works.

The application indicated the following eligible costs:

- Design, including expert review: €32,940.00 (the estimated cost of design works was taken from the energy audit report);
- Construction, including site supervision: €687,900.00 (the estimated cost of construction works is based on the energy audit calculation, with a total eligible amount of €687,900, including site supervision costs of €18,300).

As the actual cost was determined through procurement, the final project cost amounted to €670,786.41. Not all invoice amounts have been deemed eligible; the assessment was based on the specific content of each activity listed in the construction work report. Since the construction works are not 100% eligible but rather 98.17% eligible, the eligible share of the site supervision works cost is therefore also 98.17%. The calculation of both eligible and non-eligible costs can be found in the Structural Funds register under the project information section.

The audit scope includes invoices for site supervision services from Inverno Grupp OÜ and invoices for design and construction works from BUENO OÜ to Põltsamaa Municipal Government, payment orders, interim reports, and contracts. All relevant supporting documents have been attached to the project by the final beneficiary of the grant.

At the time of application, the heated area of the building was 600.5 m<sup>2</sup>. Following reconstruction, the heated area of the building, according to the occupancy permit, is 617.5 m<sup>2</sup>, as the increase resulted from more precise measurements.

**The declared costs for design and related services are eligible and in line 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.**

- Whether the amount and description of the costs correspond to the project budget and what was presented in the application.

**Explanation:**

- Inverno Grupp OÜ invoices for site supervision services with the description “Site supervision service for Põltsamaa, Lille St. 2/3 educational building design and construction works, report 1,” referring to the relevant monthly work report, and the amounts correspond to the sums and activities specified in the project budget.
- Bueno OÜ invoices for design and construction works with the description “Construction work report September 2024 No. 1 / Põltsamaa Lille St. 2/3 educational building,” referring to the relevant monthly work report, and the amounts correspond to the sums and activities specified in the project budget.

YES

**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.**

- 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, payment confirmations, contracts) have been provided.

YES

**Explanation: The costs were incurred and paid directly by the final recipient of the support, in line with the activities permitted under the project. The works underlying the invoices for site supervision services from Inverno Grupp OÜ and the design and construction works from Bueno OÜ fall within the audit scope and were carried out at the request of the project's final recipient. The invoices have been paid directly by the final recipient. The invoices are directly related to the project and include references to the project's target site, Põltsamaa Lille St. 2/3 educational building, confirming the direct link between the costs and the project activities. The costs were made efficiently and in accordance with the project objectives, ensuring the proper use of**

<p>resources. All necessary supporting documents have been provided, including invoices, payment orders, interim acts, and the contracts, guaranteeing traceability and verifiability of the costs within the project framework.</p>	
<p>➤ Whether the costs were incurred within the eligible project period and do not exceed the eligibility timeframe.</p> <p><b>Explanation:</b> The eligibility period specified in the approval decision dated is from 6 May 2024 to 30 January 2027. The invoices for site supervision services from Inverno Grupp OÜ and for design and construction works from Bueno OÜ, which fall within the audit scope, are within this period. Procurement notice No. 281922 “Design and construction works for Põltsamaa Lille St. 2/3 educational building” was published on 2 July 2024, and invitations for bids for site supervision services were sent between 14–17 August 2024, confirming that the costs were incurred during the eligible period and comply with the grant conditions. <b>All verified costs were incurred within the eligible project period and meet the requirements of the funding decision.</b></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><b>Explanation:</b> The approved support rate in the funding decision dated 24 May 2024 (No. 11.2-54/24/521) is 67%. 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. Since the construction works are not 100% eligible but rather 98.17% eligible, the eligible share of the site supervision costs is therefore also 98.17%. Within the audit scope, the disbursed grant has been made in accordance with the established support rate, and the maximum grant amount has not been exceeded. The application indicated the following eligible costs: design, including expert review: €32,940.00 (the estimated cost of design works was taken from the energy audit report); construction, including site supervision: €687,900.00 (the estimated cost of construction works was based on the energy audit construction cost calculation (€687,900 eligible total) including site supervision (€18,300)). As the actual cost was determined through procurement, the final project cost amounted to €670,786.41. The calculation of both eligible and non-eligible costs can be found in the Structural Funds register under the project information section.</p> <p><b>The disbursed support is consistent with the support rate and maximum amount specified in the funding decision.</b></p>	YES
<p>➤ Whether the costs comply with applicable tax and social legislation.</p> <p><b>Explanation:</b> The invoices for site supervision services from Inverno Grupp OÜ and for design and construction works from Bueno 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. <b>The costs are consistent with applicable tax and social regulations, properly documented, and paid in accordance with the law.</b></p>	YES
<p>➤ Whether the cost description is clear and, based on the description, demonstrably linked to the project activity.</p> <p><b>Explanation:</b></p> <ul style="list-style-type: none"> <li>➤ Inverno Grupp OÜ invoices for site supervision services with the description “Site supervision service for Põltsamaa, Lille St. 2/3 educational building design and construction works, report 1,” referring to the relevant monthly work report, and the amounts correspond to the sums and activities specified in the project budget.</li> <li>➤ Bueno OÜ invoices for design and construction works with the description “Construction work report September 2024 No. 1 / Põltsamaa Lille St. 2/3 educational building,” referring to the relevant monthly work report, and the amounts correspond to the sums and activities specified in the project budget.</li> </ul> <p><b>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.</b></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><b>Explanation:</b> To conclude the service contract for site supervision with Inverno Grupp OÜ, a procurement procedure was carried out in accordance with §8</p>	YES

<p>of the Põltsamaa Municipal Council Regulation No. 3 of 17 February 2022, "Procurement Rules of Põltsamaa Municipality", governing procedures and contract conclusion for procurements below the simple procurement threshold, ensuring transparency and compliance with applicable requirements. The invoices were issued for the performance of works agreed in the contract, and the costs are documented and supported by an official acceptance report confirming the completion of the work.</p> <p>To conclude the design and construction works contract with Bueno OÜ, an open procurement procedure was conducted through the Public Procurement Register, ensuring transparency and compliance with applicable requirements. The invoices were issued for the performance of works agreed in the contract, and the costs are documented and supported by an official acceptance report confirming the completion of the work.</p> <p>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>	
<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 delivered, or the goods received and taken into possession).</p> <p><b>Explanation:</b> The invoices for site supervision services from Inverno Grupp OÜ and for design and construction works from Bueno OÜ, which fall within the audit scope, are based on acceptance reports, and the works have been carried out in accordance with the respective contracts. Põltsamaa Municipal Government has paid the invoices in full, confirming that the costs have actually been incurred.</p> <p>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. <b>The funding therefore covers only project-related and actually incurred costs, in line with the conditions of the support.</b></p>	YES
<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><b>Explanation:</b> 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><b>Explanation:</b> On 22 August 2024, Põltsamaa Municipal Government signed a service contract with Inverno Grupp OÜ, stipulating a monthly fee of €885 plus VAT. The service period is 12 months from the date of contract signature. Within the audit scope, four initial invoices were reviewed (30.08.2024 No. 2024/202346, 30.09.2024 No. 2024/202357, 31.10.2024 No. 2024/202367, and 30.11.2024 No. 2024/202383).</p> <p>On 27 August 2024, Põltsamaa Municipal Government signed a works contract with Bueno OÜ, with a contract price of €546,933 plus VAT. Within the audit scope, three initial invoices were reviewed (30.09.2024 No. 183, 31.10.2024 No. 192, and 30.11.2024 No. 217).</p> <p><b>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.</b></p>	YES
<b>Own contribution</b>	<b>Conclusion (YES / NO / N/A)</b>
<b>Auditor verified:</b>	
<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><b>Explanation:</b> The final recipient has provided co-financing in monetary form as required by the funding decision. The invoices for site supervision services from Inverno Grupp OÜ and for design and construction works from Bueno OÜ, which fall within the audit scope, have been fully paid by the final recipient. The grant amount of €156,519.57 has been disbursed to Põltsamaa Municipal Government in line with the support rate specified in the approval decision. The project was completed ahead of schedule, and the beneficiary has paid its co-financing share, including amounts related to invoices outside</p>	YES

<p>the audit scope. According to the auditor's assessment, the co-financing has been ensured, complies with the conditions of the funding decision, and is covered by actual payments.</p> <p>➤ Whether the co-financing is correctly recorded in the beneficiary's accounting system and relevant reports.</p> <p><b>Explanation:</b> Co-financing 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>		
<p><b>Value Added Tax (VAT)</b></p> <p><b>Audiitor kontrollis:</b></p> <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><b>Explanation:</b> VAT is considered an eligible cost for this project. Põltsamaa Municipal Government (registration code 77000358) does not hold VAT payer status, as confirmed on 21 December 2025 based on the verification in the Estonian Tax and Customs Board VAT register (<a href="https://apps.emta.ee/saqu/public/kmkrnr">https://apps.emta.ee/saqu/public/kmkrnr</a>). The project activities do not generate taxable turnover and do not require VAT registration. Therefore, the beneficiary has no right to deduct or reclaim VAT as input VAT under §29 and §32(1) of the Value Added Tax Act. The conditions for granting support specify that VAT is eligible if it is non-recoverable for the beneficiary. Since this criterion is met, VAT is treated as an eligible cost in the project. <b>The handling of VAT complies with the support conditions and applicable tax legislation.</b></p> <p>➤ Have only VAT amounts that are non-refundable and non-recoverable been declared.</p> <p><b>Explanation:</b> VAT is considered an eligible cost for this project. Põltsamaa Municipal Government (registration code 77000358) does not hold VAT payer status, as confirmed on 21 December 2025 based on the verification in the Estonian Tax and Customs Board VAT register (<a href="https://apps.emta.ee/saqu/public/kmkrnr">https://apps.emta.ee/saqu/public/kmkrnr</a>). The project activities do not generate taxable turnover and do not require VAT registration. Therefore, the beneficiary has no right to deduct or reclaim VAT as input VAT under §29 and §32(1) of the Value Added Tax Act. The conditions for granting support specify that VAT is eligible if it is non-recoverable for the beneficiary. Since this criterion is met, VAT is treated as an eligible cost in the project. The invoices for site supervision services from Inverno Grupp OÜ and for design and construction works from Bueno OÜ, which fall within the audit scope, have been fully paid by the final recipient. The declared VAT amounts comply with the grant conditions and reflect only VAT that is non-refundable and non-recoverable by the beneficiary. <b>Therefore, VAT has been correctly declared and is eligible.</b></p> <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.</p> <p><b>Explanation:</b> VAT is considered an eligible cost for this project. Põltsamaa Municipal Government (registration code 77000358) does not hold VAT payer status, as confirmed on 21 December 2025 based on the verification in the Estonian Tax and Customs Board VAT register (<a href="https://apps.emta.ee/saqu/public/kmkrnr">https://apps.emta.ee/saqu/public/kmkrnr</a>). The activities of this project do not generate taxable turnover and do not require registration as a VAT payer. Pursuant to Sections 29 and 32(1) of the Value Added Tax Act, the municipal government is not entitled to deduct or reclaim VAT as input VAT, since the project does not involve taxable turnover. Therefore, VAT paid within the scope of the project is considered an eligible cost. The terms of the grant specify that VAT is eligible if it is non-recoverable for the beneficiary. As this criterion is met in the present case, VAT is regarded as an eligible cost in the project.</p>	<p><b>Conclusion (YES / NO / N/A)</b></p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	

<b>No possibility of VAT recovery was identified during the review.</b>		
<ul style="list-style-type: none"> <li>➤ 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.</li> </ul> <p><b>Explanation:</b> Põltsamaa Municipal Government does not have the status of a VAT payer and does not engage, within the scope of this project, in economic activities that fall outside the exercise of sovereign powers. Therefore, the beneficiary has not declared VAT for activities that could be considered taxable. All project-related activities are carried out in the performance of local government functions as a public authority. <b>Since VAT has not been declared and the activities fall under sovereign powers, no confirmation from a competent state authority is required. The treatment of VAT is consistent with applicable legislation and the grant conditions.</b></p>		YES
<b>Implementation of Procurement and Purchasing</b>		<b>Conclusion (YES / NO / N/A)</b>
<b>Auditor verified:</b>		
<ul style="list-style-type: none"> <li>➤ Were the principles of transparency, proportionality, and equal treatment of tenderers observed during the procurement or purchasing procedure.</li> </ul> <p><b>Explanation:</b> Põltsamaa Municipal Government conducted a procurement procedure to conclude the service contract for site supervision in accordance with §8 of the Põltsamaa Municipal Council Regulation No. 3 of 17 February 2022, "Procurement Rules of Põltsamaa Municipality", governing procedures and contract conclusion for procurements below the simple procurement threshold. A description of the requested service was prepared to ensure comparable offers; bids were requested from at least three suppliers in a reproducible written form; the bid with the lowest price was declared successful in accordance with the invitation to tender, other bidders were notified, and the contract was signed under the conditions of the tender. The procurement was, to a significant extent, conducted in compliance with the requirements of the Public Procurement Act. All bidders were treated without discrimination, the procedure was transparent, and the principles of competition were observed.</p> <p>Põltsamaa Municipal Government also conducted an open procurement procedure through the Public Procurement Register to conclude the design and construction works contract (Notice No. 281922 "Design and construction works for Põltsamaa Lille St. 2/3 educational building," CPV 45210000-2 Building construction works). The procurement notice was published on 2 July 2024, the deadline for submission of bids was 1 August 2024 at 11:00, and bids were opened on 1 August 2024 at 12:00. The contract was signed on 27 August 2024 with BUENO OÜ (registration code 10320823) for a contract price of €546,933 (Contract No. 12-3/2024/57-1), plus VAT. The procurement was, to a significant extent, conducted in compliance with the requirements of the Public Procurement Act. The procedure was organized as an open tender because the contract value exceeded the national threshold but remained below the international threshold. The procurement documentation was properly structured and included general information, technical specifications, qualification requirements, evaluation criteria, and contract terms. Qualification requirements were justified and related to the subject matter of the procurement.</p> <p>The contract amendment was made lawfully under §123(1)(1) of the Public Procurement Act, increasing the contract price by €25,957. Amendment No. 1 was signed on 2 April 2025, adjusting the contract scope in connection with three additional works, bringing the total contract value to €572,890. The amendment did not change the overall nature of the contract and the modification did not exceed statutory thresholds.</p> <p><b>No violations or unfair treatment were identified. Therefore, all costs incurred under these procurements, including invoices reviewed within the audit scope, are considered justified and eligible.</b></p>		YES
<ul style="list-style-type: none"> <li>➤ Have the requirements of the Public Procurement Act been complied with in the case of public sector beneficiaries.</li> </ul> <p><b>Explanation:</b> As a public sector grant recipient, Põltsamaa Municipal Government adhered to the requirements of the Public Procurement Act in the procurement procedure for site supervision services below the simple procurement threshold, including bidder notification, equal treatment, transparency of evaluation, and proportionality. <b>No violations or unfair treatment were identified during the audit.</b></p> <p>In the open procurement procedure conducted through the Public Procurement Register (Notice No. 281922 "Design and construction works for Põltsamaa</p>		YES

<p>Lille St. 2/3 educational building," CPV 45210000-2 Building construction works), published on 2 July 2024, Põltsamaa Municipal Government complied with the requirements of the Public Procurement Act, including bidder notification, equal treatment, transparency of evaluation, and proportionality. <b>No violations or unfair treatment were identified during the audit.</b></p>	
<p>➤ 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>	
<p><b>Explanation:</b> Põltsamaa Municipal Government conducted a procurement procedure to conclude the service contract for site supervision in accordance with §8 of the Põltsamaa Municipal Council Regulation No. 3 of 17 February 2022, "Procurement Rules of Põltsamaa Municipality", governing procedures and contract conclusion for procurements below the simple procurement threshold. Under the successful bid and the contract signed on 22 August 2024, the monthly fee is €885 plus VAT, and the service period is 12 months from the date of signature. The procurement procedure and contract value remain below the simple procurement threshold (€30,000).</p>	YES
<p>Põltsamaa Municipal Government also conducted an open procurement procedure through the Public Procurement Register (Notice No. 281922 "Design and construction works for Põltsamaa Lille St. 2/3 educational building," CPV 45210000-2 Building construction works). The contract was signed on 27 August 2024 with BUENO OÜ (registration code 10320823) for a contract price of €546,933 (Contract No. 12-3/2024/57-1), plus VAT. The procedure and contract value exceed the national procurement threshold (€150,000) but remain below the international threshold.</p>	
<p><b>The procurement procedures were selected in accordance with the Public Procurement Act, considering the value of the services and works, and comply with the requirements of the Act, ensuring transparency, proportionality, and equal treatment.</b></p>	
<p>➤ Did the successful tenderer and its bid comply with the procurement notice and the tender documents.</p> <p><b>Explanation:</b> In the procurement procedure below the simple threshold for site supervision services, the successful bidder Inverno Grupp OÜ and its offer complied with the invitation to tender and the procurement documentation. The evaluation criterion was the lowest price, and Inverno Grupp OÜ submitted the lowest-priced offer (€885 per month plus VAT), and was therefore selected as the service provider under the contract.</p>	YES
<p>In the open procurement procedure (Notice No. 281922 "Design and construction works for Põltsamaa Lille St. 2/3 educational building," CPV 45210000-2 Building construction works), the successful bidder Bueno OÜ and its offer complied with the invitation to tender and the procurement documentation. The evaluation criterion was the lowest price, and Bueno OÜ submitted the lowest-priced offer (€546,933 plus VAT), and was therefore selected as the contractor under the contract.</p>	
<p>➤ Was the procurement procedure transparent, justified, and non-discriminatory.</p> <p><b>Explanation:</b> In the procurement procedure below the simplified threshold for site supervision services, the process was carried out via email by sending invitations to tender and receiving bids. The requirements set out in §8 of the "Procurement Rules of Põltsamaa Municipality" and the Public Procurement Act were followed. A description of the requested service was prepared to ensure that bids were requested on equal terms; thus, the scope of the service and evaluation criteria were clearly defined in advance. Comparable bids were requested from at least three suppliers in a reproducible written form, and the deadline for submission was specified in the invitation. In accordance with the tender conditions, the bid with the lowest price was declared successful, other bidders were notified, and the contract was signed under the terms of the invitation. <b>The procurement was largely conducted in compliance with the requirements of the Public Procurement Act. All bidders were treated without discrimination, and the procedure was transparent, justified, and non-discriminatory.</b></p>	YES
<p>In the open procurement procedure (Notice No. 281922 "Design and construction works for Põltsamaa Lille St. 2/3 educational building," CPV 45210000-2 Building construction works), the process was conducted through the Public Procurement Register. The scope of the works and evaluation criteria were clearly defined in advance. The procurement notice was published on 2 July 2024, and the deadlines for submission and opening of bids were fixed, ensuring equal opportunities for all interested bidders. Evaluation was based on the predefined criteria. <b>Therefore, the procedure can be assessed as transparent, justified, and non-discriminatory.</b></p>	

<ul style="list-style-type: none"> <li>➤ 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.</li> </ul> <p><b>Explanation:</b> According to the Procurement Evaluation Committee protocol of 21 August 2024, “Confirmation of Tender Results – Site Supervision Service for Põltsamaa Lille St. 2/3 Educational Building”: The best offer was submitted by joint bidders Pärn Projekt OÜ (registration No. 12009360) and Inverno Grupp OÜ (registration No. 16756929), with a monthly fee for site supervision services of €885 excluding VAT. The service contract was signed on 22 August 2024 with Inverno Grupp OÜ for a monthly fee of €885 plus VAT. According to Põltsamaa Municipal Government Order No. 2-3/2024/157 of 5 August 2024, “Confirmation of Public Procurement Results”: The bid submitted by BUENO OÜ (registration No. 10320823) with a price of €546,933 excluding VAT was declared successful as the lowest-priced offer. The works contract was signed on 27 August 2024 with BUENO OÜ (Contract No. 12-3/2024/57-1) for €546,933 plus VAT.</p> <p><b>The contracts were concluded in accordance with the evaluation criteria set out in the procurement documentation, selecting the bidders who submitted the lowest-priced offers.</b></p>	YES
<ul style="list-style-type: none"> <li>➤ Was the contract concluded under conditions consistent with the tender and the procurement documents.</li> </ul> <p><b>Explanation:</b> The conditions set out in the procurement documents for procurement procedure below the simple threshold for site supervision services and in the contract signed on 22 August 2024 with Inverno Grupp OÜ are consistent and have not been altered. The conditions set out in the open procurement procedure (Notice No. 281922 “Design and construction works for Põltsamaa Lille St. 2/3 educational building”), and in the contract signed on 27 August 2024 with BUENO OÜ are consistent and have not been altered.</p>	YES
<ul style="list-style-type: none"> <li>➤ Was the procurement contract concluded without a conflict of interest, and is the contracting partner not a related party.</li> </ul> <p><b>Explanation:</b> The procurement contract was signed with Inverno Grupp OÜ (registry code 16756929) without any apparent conflict of interest. The audit did not reveal any evidence that the company’s management or employees were connected to officials of Põltsamaa Municipal Government 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 (<a href="#">INVERNO Grupp OÜ   e-Äriregister</a>).</p> <p>The procurement contract was signed with Bueno OÜ (registry code 10320823) without any apparent conflict of interest. The audit did not reveal any evidence that the company’s management or employees were connected to officials of Põltsamaa Municipal Government 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 (<a href="#">BUENO OÜ   e-Äriregister</a>).</p>	YES
<ul style="list-style-type: none"> <li>➤ If a framework agreement was used, was it concluded in compliance with the principles of transparency and best price-quality ratio.</li> </ul> <p><b>Explanation:</b> 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
<ul style="list-style-type: none"> <li>➤ Is all procurement documentation (including notices, minutes, quotations, contracts, etc.) available, complete, and auditable;</li> </ul> <p><b>Explanation:</b> The procurement documentation for both tenders, including notices, protocols, bids, contracts, and contract performance documents, is complete, available, and verifiable from an audit perspective. For the open procurement (Notice No. 281922), several documents are managed independently of the contracting authority in the Public Procurement Register, ensuring transparency and auditability.</p>	YES
<ul style="list-style-type: none"> <li>➤ Have similar or functionally related purchases not been artificially split to avoid the application of procurement or purchasing procedures;</li> </ul> <p><b>Explanation:</b> The audit did not identify any artificial splitting of similar or functionally related purchases to avoid the application of procurement procedures. The design and construction works for the Põltsamaa Lille St. 2/3 educational building and the site supervision services were procured through a unified and transparent process in compliance with the applicable public procurement requirements.</p>	YES
<ul style="list-style-type: none"> <li>➤ 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.</li> </ul>	YES

<p><b>Explanation:</b> During project implementation, a modification was made to the contract signed with Bueno OÜ. The amendment was carried out lawfully under §123(1)(1) of the Public Procurement Act, increasing the contract price by €25,957. Amendment No. 1 was signed on 2 April 2025, adjusting the contract scope in connection with three additional works, bringing the total contract value to €572,890. The amendment did not change the overall nature of the contract, and the requirements of the Public Procurement Act were observed. <b>The procurement 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.</b></p>	
<p><b>Personnel-related costs and other costs, including administrative costs for implementing State Shared Services Centre measures</b></p> <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>	<b>Conclusion (YES / NO / N/A)</b>
<ul style="list-style-type: none"> <li>➤ What methodology is used for determining personnel costs and linking them to the funding;</li> <li>➤ Does the calculation of personnel costs comply with the applicable grant conditions and permitted accounting principles;</li> <li>➤ Is the link between personnel costs and the project sufficiently evidenced (including project-related tasks, working time, and workload proportion);</li> <li>➤ Are relevant documents such as employment contracts, job descriptions, or task allocations available to demonstrate the employees' connection to funded activities;</li> <li>➤ Is the portion of working time reimbursed from the funding correctly calculated and documented;</li> <li>➤ Are tasks not related to the funding correctly separated;</li> <li>➤ Are travel expenses and daily allowances correctly defined and linked to the project, in accordance with the beneficiary's internal rules and applicable legislation;</li> <li>➤ Do training costs (if any) comply with applicable legislation and are they justified in the context of the project objectives.</li> </ul> <p><b>Explanation:</b> 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
<ul style="list-style-type: none"> <li>➤ What methodology is used for determining other costs and linking them to the funding;</li> <li>➤ Are "other costs" (including office supplies, software, administrative expenses, etc.) eligible and directly related to project implementation;</li> <li>➤ Are the costs correctly identified and attributed to the project;</li> <li>➤ Are the items listed on invoices not recorded as fixed assets, and is the accounting treatment consistent with the beneficiary's usual accounting practices;</li> <li>➤ Do other costs comply with internal cost-handling rules and are they proportionate to the scope and objectives of the project;</li> <li>➤ For procurements classified under "other costs," have procurement or purchasing procedures been followed (see section "Procurement and Purchasing").</li> </ul> <p><b>Explanation:</b> No other costs were incurred in the final recipient's project during the audit scope period (2023 and 2024).</p>	N/A
<p><b>Document Retention</b></p>	<b>Conclusion (YES / NO / N/A)</b>
<p><b>Auditor verified:</b></p> <ul style="list-style-type: none"> <li>➤ 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.</li> </ul> <p><b>Explanation:</b> The final beneficiary has retained all cost documentation and project reports in a manner that ensures a clear and traceable audit trail. During the on-site inspection on 19 December 2025, all project documents—including invoices, payment orders, contracts, council decisions, and reports—were</p>	YES

<p>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>The official document registry of the municipal government is the DELTA system, where all project and funding-related documents are recorded. Accounting and cost documents are processed through the FINBITE system for approval workflows and are stored together with relevant metadata.</p> <p>In addition to the document registry, project and procurement-related documentation is maintained on the Põltsamaa Municipal Government internal network (accessible via VPN), ensuring restricted access and data security. Project documentation and reporting are also available in the State Shared Service Centre's e-support environment.</p> <p>The municipality uses the PMEN accounting software, which includes all necessary modules for accounting and is fully integrated. PMEN complies with all legal requirements and accommodates the specific needs of local governments in organizing accounting. Its purpose is to ensure compliance with the Accounting Act. Project costs are distinguishable in the accounting system by a specific project and activity code, which is applied to all cost documents related to the project. This enables the preparation of a separate and verifiable accounting report for project expenses. Project costs are identified under code 24-1-01-9 (Project: 24-1-01-9 Energy Efficiency Improvement of Lille St. 2/3 Educational Building).</p> <p>Cost documents are managed in the FINBITE system, where invoices are received, reviewed, and approved. They are identifiable by invoice descriptions (including the "content" field in FINBITE). Cost and payment documents are also managed through the PMEN accounting software, where they are traceable by the specific project code.</p> <p><b>In the auditor's opinion, the document retention and traceability requirements have been met, and the systems ensure cost control and transparency.</b></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><b>Explanation:</b> Retention of documents for at least five years from the last project payment is ensured. According to §11 of the Põltsamaa Municipal Government's internal accounting regulations, original accounting documents must be retained for seven years from the end of the financial year in which the transaction was recorded in the accounting register. Documents indirectly supporting transactions recorded in the accounting entries (e.g., signed contracts, funding decisions) are retained in accordance with the requirements set out in the relevant legislation, but not less than seven years from the end of the respective financial year.</p> <p>Under §36 on project accounting, paragraph 1 stipulates that revenues received as targeted financing for projects and the related expenditures are distinguished from other revenues and expenses; paragraph 3 requires that project documentation be retained in accordance with the requirements of the funding institution.</p> <p>Additionally, project files for development projects supporting the living environment and economy are stored in the DELTA document management system in accordance with legal acts and the classification scheme of Põltsamaa Municipal Government.</p> <p><b>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 officials involved in the project.</b></p>	YES
<b>Communication and Visibility (Article 17)</b>	<b>Conclusion (YES / NO / N/A)</b>
<b>Auditor verified:</b>	

<ul style="list-style-type: none"> <li>➤ 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); <ul style="list-style-type: none"> <li>○ 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).</li> </ul> <p><b>Explanation:</b> The Põltsamaa Municipal Government 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"> <li>○ 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 identity complies with the EU and grant conditions guidelines;</li> <li>○ 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.);</li> </ul> <p><b>Explanation:</b> The Põltsamaa Municipal Government has shared information about the project and the funding source on its website, for example:</p> <ul style="list-style-type: none"> <li>➤ Two energy efficiency projects in Põltsamaa Municipality received a positive funding decision (<a href="#">Link1</a>)</li> <li>➤ Tender in progress for the design and construction works of the educational building at Lille St. 2/3, Põltsamaa (<a href="#">Link2</a>)</li> <li>➤ News published on 27 August 2024 on the municipality's Facebook page (<a href="#">Link3</a>)</li> </ul> <ul style="list-style-type: none"> <li>○ 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.</li> </ul> <p><b>Explanation:</b> During the audit, it was established that the final recipient had fulfilled its communication obligations related to the project and installed during construction works a compliant information board at the site. The board clearly displayd info, that the reconstruction is supported by the Modernisation Fund, in accordance with the established communication and visibility requirements. In addition, information about the project and its funding has been published in the media. This ensures transparency of the project's financing and public awareness.</p> </li> <td data-bbox="1954 125 2138 1075" style="text-align: center;">YES</td></ul>	YES
---	-----