AUDIT REPORT	Date: 19.02.2026	Prepared by: Maarja Kilter (Head of Internal Audit Department)	Reference nr: A1-8

Title	**Audit on the Use of Modernisation Fund Support in Estonia (costs up to 31.12.2024)**
Objective	The audit was conducted in accordance with Article 16(4) of Implementing Regulation (EU) 2020/1001, which requires Member States to carry out an audit every two years on the use of amounts paid from the Modernisation Fund by the Member State or the scheme managing authority to project proponents or final recipients of the Modernisation Fund support.
Scope	The audit covers the use of support amounts paid from the Modernisation Fund to project applicants or final recipients during the period 1 January 2023 – 31 December 2024. The audit examines eligible costs related to the implementation of projects by final recipients (Muhu Municipal Government, Hiiumaa Municipal Government, Saaremaa Municipal Government, Põltsamaa Municipal Government, Riigi Kinnisvara AS), the administrative costs of implementing measures by the State Shared Service Centre, and the costs of dual-system electric trains incurred following the tender process conducted by AS Eesti Liinirongid under the respective procurement contract. The scope of the audit also includes verifying the compliance of public procurement procedures related to the support with applicable requirements.
Scope limitation	The audit does not include: ➢ An assessment of the Ministry of Climate's management and control systems (MCS) for submitting Modernisation Fund investment proposals and reporting; ➢ An assessment of the MCS of responsible ministries in developing regulations for measures financed by the Modernisation Fund, consolidating reports on the use of funding, and submitting them to the Ministry of Climate; ➢ An assessment of the MCS of the State Shared Service Centre in processing project applications and reporting for these measures; ➢ An evaluation of the impact of investments on energy efficiency and the modernisation of the energy system.

Summary

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

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

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

We thank the auditees for their pleasant cooperation.

Maarja Kilter (CGAP), /digitally signed/

Introduction

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

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

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

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

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

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

- Atmospheric Air Protection Act (AÕKS), §165[1] Modernisation Fund, which stipulates, among other things, that the allocation of Modernisation Fund resources and the ministers responsible for their use are determined in the State Budget Strategy (RES). For the implementation of measures specified in the RES, the minister responsible for the use of resources may establish, by regulation, the conditions and procedure for implementing the respective measure. Pursuant to subsection 51 of this paragraph, the Ministry of Climate submits the allocation of Modernisation Fund resources for assessment and approval to the European Investment Bank and the Investment Committee in accordance with Commission Implementing Regulation (EU) 2020/1001.
- Government of the Republic Regulation No. 25 of 10 March 2022 „General Conditions for the Use and Reporting of Modernisation Fund Resources."

Modernisation Fund-supported programmes in Estonia

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Courthouse (Riigi Kinnisvara AS), VAT is not eligible		
TOTAL		**3974657,83**

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

The State Shared Service Centre (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 No. 36 issued by the Minister of Public Administration on 5 August 2022 „Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings, and related orders:

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

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

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

- **Energy-efficient low-emission public transport programme (MF 2021-2 EE 0-002)** The aim is to improve the energy efficiency of Estonia’s public transport by supporting investments that accelerate the transition to vehicles using renewable energy or hydrogen. The programme contributes to the Transport and Mobility Master Plan 2021-2035 and to the National Energy and Climate Plan 2030. Activities include acquiring an environmentally friendly and energy-efficient ferry for the Virtsu–Kuivastu route, modernising Estonia’s train fleet by purchasing 10 electric passenger trains with the Fund’s support, and promoting the use of electric buses and/or trams in cities. These activities are planned to be supported with €130 million from the Modernisation Fund during 2021–2030.

- As of 31 December 2024, expenses have been incurred in connection with the procurement of electric trains. On 6 September 2022, the Government of the Republic of Estonia decided at a cabinet meeting to approve the acquisition of 10 new dual-system electric trains financed from the Modernisation Fund. The public procurement reference number is 217993 "Purchase of dual-system electric trains" (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-measures:* ➢ *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"* ➢ *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"*	Administrative costs for implementing sub-measures of the Programme for improvement of energy efficiency and renewable energy use in public sector buildings.
Programme eligibility period	01.07.2021 - 31.12.2030
Total amount of eligible programme costs (euros)	170 000 000,00
Project proponent/final recipient (name of institution)	State Shared Service Centre (*Riigi Tugiteenuste Keskus*), *who is the final recipient only for its administrative cost component, but acts as an implementing body for investment sub-measures.*
Decision forming the basis for Modernisation Fund financing for sub-measure	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: administrative costs for the measure implementer for conducting the application round as 142 000 euros in total. ➢ Order of the Minister of Regional Affairs and Agriculture, 27 February 2025, No. 47: administrative costs for the measure implementer for conducting the application round as 150 000 euros in total. Administrative costs for implementing the measure under the 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: administrative costs for the measure implementer for conducting the application round: 104 200 euros in total (8200 euros (2022), 31 000 euros (2023), 32 000 euros (2024), 33 000 euros (2025)). ➢ Order of the Minister of Finance, 17 October 2023, No. 158: administrative costs for the measure implementer for conducting the application round: 134 000 euros in total. ➢ Order of the Minister of Finance, 20 September 2024, No. 105: administrative costs for the measure implementer for conducting the application round: 90 000 euros in total.

Audited amount of Modernisation Fund financing up to 31.12.2024 (in euros) for programme / for sub-measure	86 776,47 (*These administrative costs relate exclusively to the implementation of the two sub-measures listed above and do not include any project-level expenditures*)
Size of the audited sample up to 31.12.2024 (in euros) for programme / for sub-measure	24 795,19
Amount of identified non-eligible financing (in euros)	0,00

Audited cost documents (sample)

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 payment made by final recipient	Eligible amount (EUR)	Paid amount of Modernisation Fund funding to final recipient (EUR)	Modernisation Fund funding payment date
Internal Travel Order – Expense Report R400-3-4L/404, 1510006416 (26.05.2023)	S. A.	Reimbursement of Personal Vehicle Use Expenses, 20.04–20.04.23; Tallinn, Work at the Tallinn office.	65,00 (0,00)	No 0020029871 (31.05.2023) in the amount of 65,00 euros	65,00	65,00	0200006633 (30.12.2022)
233053 (20.07.2023)	Juunika Koolitus osaühing	A. Zolin Training, 15–16 November – From Specialist to Manager, Part 2.	486,00 (81,00)	No 0020038834 (27.07.2023) in the amount of 486,00 euros	24,30	24,30	0200006633 (30.12.2022)
230500 (16.08.2023)	Toosikannu OÜ	Catering, room rental and accommodation at the State Shared Service Centre 10-11.08.2023 seminar „Organizational Value".	25478,90 (3777,01)	No 0020041940 (30.08.2023) in the amount of 25478,90 euros	24,03	24,03	00200006633 (30.12.2022)
44 (13.11.2023)	HEVAC OÜ	Modernisation Fund measure. Expert consultancy fee.	180,00 (30,00)	No 0020059012 (27.12.2023) in the amount of 180,00 euros	180,00	180,00	0200006633 (30.12.2022)
32053 (24.11.2023)	OÜ Laidoneri KV	Autumn seminar of the Public Infrastructure Department on 23 November 2023, catering and seminar room rental.	581,00 (96,83)	No 0020055814 (06.12.2023) in the amount of 581,00 euros	13,20	13,20	0200006633 (30.12.2022)
42023 (28.04.2023)	M.A., S.A., H. A.	Salaries paid to employees from the payroll module (the proportion of salaries paid to the employees of the State Shared Service Centre from the Modernisation Fund, as specified by the Director General's directives, M.A. 5%, S.A. 10%, H. A. 10%)	482,07	Paid as a part of mass payments: No 1423930002 (28.04.2023) in the amount of 858150,28 euros and No 1423930003 (28.04.2023) in the amount of 495941,79 euros	482,07	482,07	0200006633 (30.12.2022)
42023 (28.04.2023)	Maksu- ja Tolliamet	Taxes related to labor costs	343,01	No 0020026212 (10.05.2023) in the amount of 343,01 euros	343,01	343,01	0200006633 (30.12.2022)
122023 (28.12.2023)	A.Z., H.A., S.A	Salaries paid to employees from the payroll module (the proportion of	526,61	Paid as a part of mass payments: No 1596070005	526,61	526,61	0200006633 (30.12.2022)

		salaries paid to the employees of the State Shared Service Centre from the Modernisation Fund, as specified by the Director General's directives, A.Z. 5%, S.A. 10%, H. A. 10%)		(28.12.2023) in the amount of 515538,05 euros and No 1596070000 (28.12.2023) in the amount of 888276,08 euros			
122023 (28.12.2023)	Maksu- ja Tolliamet	Taxes related to labor costs	379,89	No 0020060267 (29.12.2023) in the amount of 379,89 euros	379,89	379,89	0200006633 (30.12.2022)
11050894 (24.01.2024)	Sihtasutus Eesti Kontsert	Annual Seminar 19 January 2024, Rental of training rooms and equipment	8436,30 (1521,30)	No 0020004146 (07.02.2024) in the amount of 8436,30 euros	23,00	23,00	0200006633 (30.12.2022)
8 (19.01.2024)	Osaühing Vanemuise Kohvik	Catering service for the annual seminar on 19 January 2024	19151,00 (3453.46)	No 0020003756 (02.02.2024) in the amount of 19151,00 euros	52,21	52,21	0200006633 (30.12.2022)
3546 (19.08.2024)	Osaühing 360 KRAADI	Organization of a team event in Nelijärve on 15 August 2024	3308,64 (596,64)	No 0020031390 (09.09.2024) in the amount of 3308,64 euros	17,78	17,78	0200003572 (22.05.2024)
17203 (07.10.2024)	Duco MP OÜ	Catering and room rental for the Autumn Seminar of the Grants Implementation Department (15-16.08.2024)	7088,00 (1278,17)	No 0020037687 (21.10.2024) in the amount of 7088,00 euros	186,85	186,85	0200003572 (22.05.2024)
Internal Travel Order – Expense Report R400-3-4L/923, 1510008148 (12.11.2024)	S. A.	Travel expenses, (business trip 04.11-04.11.24), S.A., Pärnu - Tallinn - Pärnu	15,15 (0,00)	No 0020041266 (14.11.2024) in the amount of 15,15 euros	6,81	6,81	0200003572 (22.05.2024)
32024 (27.03.2024)	T.T.	Fee paid under a contract for services for verifying compliance with energy audit requirements No. 11.1-15/24/77-1, dated 20 February 2024 to T.T.	8596,80	No 1653440000 (27.03.2024) in the amount of 8996,80 euros	8596,80	8596,80	0200006633 (30.12.2022)
32024 (28.03.2024)	A.Z., L.S., S.A., H.A.	Salaries paid to employees from the payroll module (the proportion of salaries paid to the employees of the State Shared Service Centre from the Modernisation Fund, as specified by the Director General's directives, A.Z. 4,5%, L.S. 2%, S.A. 45%, H.A.45%)	1846,48	Paid as a part of mass payments: No 1656320000 (28.03.2024) in the amount of 883848,51 euros; No 1656320005 (28.03.2024) in the amount of 526594,55 euros	1846,48	1846,48	0200006633 (30.12.2022)
32024 (27.03.2024; 28.03.2024)	Maksu- ja Tolliamet	Taxes related to labor costs	7095,69	No 0020012353 (10.04.2024) in the amount of 7095,69 euros	7095,69	7095,69	0200006633 (30.12.2022)
102024 (31.10.2024)	J.M., A.Z., S.A., A.K., H.A.	Salaries paid to employees from the payroll module (the proportion of salaries paid to the employees of the	2784,74	Paid as a part of mass payments: No 1809110000 (31.10.2024) in the amount	2784,74	2784,74	0200003572 (22.05.2024)

		State Shared Service Centre from the Modernisation Fund, as specified by the Director General's directives, J.M.20%, A.Z.10%, S.A.45%, A.K.25%, H.A.45%)		of 870684,34 euros; No 1809110005 (31.10.2024) in the amount of 522004,74 euros			
102024 (31.10.2024)	Maksu- ja Tolliamet	Taxes related to labor costs	1996,20	No 0020040185 (08.11.2024) in the amount of 1996,20 euros	1996,20	1996,20	0200003572 (22.05.2024)
TSD 11.2024	Maksu- ja Tolliamet	Social tax and income tax payable on fringe benefits	150,52	No 0020040975 (11.11.2024) in the amount of 150,52 euros	150,52	150,52	0200003572 (22.05.2024)
SIZE OF THE AUDITED SAMPLE *(The "size of the audited sample" reflects the value of cost items selected for detailed testing. The remaining expenditure was part of the overall audit population and included in the audit scope, but was not subject to individual document testing in line with the sampling methodology applied. No risk indicators or inconsistencies arose during the audit that would have required expanding the sample.)* **Sampling approach for personnel costs and other administrative expenditure:** Within the overall audit population, personnel-related costs (salaries and related taxes) amounted to 85 157,76 EUR, of which 24 051,49 EUR was included in the detailed audit sample in accordance with the sampling rule of testing at least 10% of personnel expenditure. The remaining personnel costs formed part of the audit population but were not subject to individual document testing, in line with the sampling methodology applied. No indications were identified during the audit that would have required expanding the sample. One cost item in the sample was a fee paid under a contract for services. Although formally classified as a service contract, this expenditure represents remuneration for work performed by a natural person and is treated as a personnel-type cost for sampling purposes. Its inclusion in the sample is consistent with the sampling approach, as the methodology allows the selection of any cost item falling within the relevant cost category regardless of contractual form. Other administrative costs amounted to 1618,71 EUR and, based on the sampling methodology (ten lines or 10% of cost lines, whichever is greater), ten cost items totalling 743,70 EUR were selected for detailed testing. All remaining cost items formed part of the audit population but were not examined at individual document level in line with the sampling methodology applied. No matters arose during the audit that would have indicated a need to increase the sample.						**24795,19**	
Technical note: The payment references 0200006633 (30.12.2022) and 0200003572 (22.05.2024) reflect the date on which Modernisation Fund administrative resources were transferred in advance to the State Shared Service Centre. Subsequent administrative costs (e.g., salaries, taxes, travel) incurred in 2023–2024 are settled against this advance allocation.							

Cost document number	Accounting entry date	Submitter of the cost document	Description of the expense (in the process of posting accounting entries)	Paid amount of Modernisation Fund funding to final recipient (EUR)	Modernisation Fund funding payment date
1510006281	13.04.2023	S. A.	13.04-13.04.23 S.A., Tallinn, Work at the Tallinn office	**21,10**	0200006633 (30.12.2022)
1510006406	09.05.2023	S. A.	09.05-09.05.23 S.A., Tallinn, Work at the Tallinn office	**20,10**	0200006633 (30.12.2022)
230766	30.06.2023	osaühing Tripod Grupp	Testing	**6,60**	0200006633 (30.12.2022)
233052	27.07.2023	Juunika Koolitus osaühing	A. Z., From Specialist to Manager, Part 1	**24,30**	0200006633 (30.12.2022)
680100	11.08.2023	AS Hansabuss	Lõkke 4. Tallinn > Toosikannu > Lõkke 4. Tallinn 1	**2,30**	0200006633 (30.12.2022)
19283	11.08.2023	OÜ Peoloog	Seminar moderation	**1,42**	0200006633 (30.12.2022)
654	11.08.2023	Glamping Estonia OÜ	Rental of a 5-person accommodation tent at Toosikannu on 10–11 August, charging area tent with furniture and string lights, transport of accommodation tents from Tallinn to Toosikannu and back	**3,87**	0200006633 (30.12.2022)
K26E26	11.08.2023	KERA OÜ	Training: The Values Game, 10 August 2023	**2,25**	0200006633 (30.12.2022)
1510006915	11.10.2023	S. A.	11.10-11.10.23 S. A., Tallinn, Excel BCS training	**2,50**	0200006633 (30.12.2022)
31799	24.11.2023	OÜ Laidoneri KV	Accommodation for 23–24 November 2023 for the seminar (AT)	**20,39**	0200006633 (30.12.2022)
535	24.11.2023	Savilind OÜ	Team activity on 23 November (TRO AT)	**5,75**	0200006633 (30.12.2022)
200/M	24.11.2023	Nõmme Kaubandus OÜ	Catering 23.11-24.11	**4,27**	0200006633 (30.12.2022)

032023	31.03.2023		Salaries paid to employees	**482,07**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**343,01**	0200006633 (30.12.2022)
052023	31.05.2023		Salaries paid to employees	**482,06**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**343,01**	0200006633 (30.12.2022)
062023	22.06.2023		Salaries paid to employees	**185,00**	0200006633 (30.12.2022)
062023	30.06.2023		Salaries paid to employees	**346,94**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**377,91**	0200006633 (30.12.2022)
072023	30.07.2023		Salaries paid to employees	**442,14**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**318,45**	0200006633 (30.12.2022)
082023	31.08.2023		Salaries paid to employees	**481,31**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**347,12**	0200006633 (30.12.2022)
TSD 08.2023	31.08.2023	Maksu- ja Tolliamet	Social tax and income tax payable on fringe benefits	**9,38**	0200006633 (30.12.2022)
092023	29.09.2023		Salaries paid to employees	**478,04**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**344,83**	0200006633 (30.12.2022)
102023	31.10.2023		Salaries paid to employees	**478,05**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**344,82**	0200006633 (30.12.2022)
112023	30.11.2023		Salaries paid to employees	**478,04**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**344,83**	0200006633 (30.12.2022)
TSD 11.2023	30.11.2023	Maksu- ja Tolliamet	Social tax and income tax payable on fringe benefits	**10,45**	0200006633 (30.12.2022)
681773	19.01.2024	AS Hansabuss	Transport (Eesti Rahvusraamatukogu - Vanemuise kontserdimaja)	**11,07**	0200006633 (30.12.2022)
1190	19.01.2024	GLOCL OÜ	L. Viik Presentation at the annual Seminar, January 2024	**3,66**	0200006633 (30.12.2022)
964	19.01.2024	OSAÜHING ROCKSTICK PRODUCTION	Technical support for the State Shared Service Centres annual seminar	**23,11**	0200006633 (30.12.2022)
703113	19.01.2024	Miltton New Nordics OÜ	Annual Seminar Panel Discussion	**2,66**	0200006633 (30.12.2022)
1	19.01.2024	OÜ Sintar	Recording of video footage	**0,72**	0200006633 (30.12.2022)
563	19.01.2024	OÜ Tikerberry	Scriptwriting and directing of the annual seminar videos	**2,73**	0200006633 (30.12.2022)
1510007351	12.03.2024	L. S.	12.03-12.03.24 L.S., Tallinn	**0,60**	0200006633 (30.12.2022)
1510007700	12.06.2024	A. Z.	12.06-12.06.24 A. Z., Tartu office	**4,68**	0200003572 (22.05.2024)
1510007767	10.07.2024	A. Z.	10.07-10.07.24 A. Z., Pärnu, Conducting annual reviews	**4,55**	0200003572 (22.05.2024)
222	16.08.2024	OÜ Mõttemaru	Presentation	**9,83**	0200003572 (22.05.2024)
19372	16.08.2024	OÜ Peoloog	Teamwork organisation	**18,17**	0200003572 (22.05.2024)
24279	16.08.2024	AS Hotell Stroomi	Accommodation services at Nelijärve Holiday Centre on 15–16 August, rental of rooms and outdoor area, and catering	**192,60**	0200003572 (22.05.2024)
10254	16.08.2024	Porrulans OÜ	Inspirational lecture at the summer seminar	**5,58**	0200003572 (22.05.2024)
1366	16.08.2024	SinuVideo Production OÜ	Video and photography services – State Shared Service Centre Summer Seminar, 15–16 August 2024	**4,26**	0200003572 (22.05.2024)
1510007846	12.09.2024	A. Z.	12.09-12.09.24 A. Z, Pärnu	**11,72**	0200003572 (22.05.2024)
1510007972	27.09.2024	A. K.	26.09-27.09.24 A. K, Nina Kordon Guesthouse, seminar (ATT)	**27,18**	0200003572 (22.05.2024)
1510007975	27.09.2024	H. A.	26.09-27.09.24 H. A., Peipsiääre vald, seminar (ATT)	**24,84**	0200003572 (22.05.2024)
96	27.09.2024	Peipsimaa Präänikutalu OÜ	Organization of team activities	**18,98**	0200003572 (22.05.2024)

1475	01.10.2024	Peipsinina Puhkekeskus OÜ	ATT seminar lunch and dinner on 26 September 2024, ATT seminar room rental on 26 September 2024, ATT accommodation at the Nina Kordon Guesthouse from 26–27 September	**133,94**	0200003572 (22.05.2024)
1510008035	03.10.2024	S. A.	03.10-03.10.24 S.A., Tallinn, Seminar of the department (TRO)	**5,13**	0200003572 (22.05.2024)
1510008164	03.10.2024	A. K.	03.10-03.10.24 A.K., Tallinn, Seminar of the department (TRO)	**16,00**	0200003572 (22.05.2024)
236	03.10.2024	OÜ Mõttemaru	3.10 TRO Team-building training	**38,59**	0200003572 (22.05.2024)
24102	09.10.2024	OÜ Agenda Public Relations	Media and communication messaging training	**13,91**	0200003572 (22.05.2024)
202414850	31.10.2024	Meliva AS	Occupational health package 1	**42,75**	0200003572 (22.05.2024)
1510008166	04.11.2024	A. K.	04.11-04.11.24 A.K., Tallinn	**2,85**	0200003572 (22.05.2024)
20169207	07.11.2024	AS BCS Koolitus	7.11 MS Outlooki modules and Teams training	**3,15**	0200003572 (22.05.2024)
240646	19.12.2024	Skyon Resto OÜ	19.12 Catering for the TRO managers' seminar	**4,46**	0200003572 (22.05.2024)
012024	31.01.2024		Salaries paid to employees	**1910,93**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**1370,84**	0200006633 (30.12.2022)
TSD 01.2024	31.01.2024	Maksu- ja Tolliamet	Social tax and income tax payable on fringe benefits	**34,59**	0200006633 (30.12.2022)
022024	27.02.2024		Salaries paid to employees	**197,62**	0200006633 (30.12.2022)
022024	29.02.2024		Salaries paid to employees	**1918,02**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**1518,20**	0200006633 (30.12.2022)
032024	09.04.2024		Salaries paid to employees	**1080,00**	0200006633 (30.12.2022)
042024	30.04.2024		Salaries paid to employees	**1835,21**	0200006633 (30.12.2022)
		Maksu- ja Tolliamet	Taxes related to labor costs	**2041,49**	0200006633 (30.12.2022)
052024	27.05.2024		Salaries paid to employees	**7128,00**	0200003572 (22.05.2024)
	31.05.2024		Salaries paid to employees	**1915,22**	0200003572 (22.05.2024)
		Maksu- ja Tolliamet	Taxes related to labor costs	**6167,56**	0200003572 (22.05.2024)
062024	28.06.2024		Salaries paid to employees	**2869,06**	0200003572 (22.05.2024)
		Maksu- ja Tolliamet	Taxes related to labor costs	**2060,16**	0200003572 (22.05.2024)
072024	31.07.2024		Salaries paid to employees	**2893,46**	0200003572 (22.05.2024)
		Maksu- ja Tolliamet	Taxes related to labor costs	**2078,12**	0200003572 (22.05.2024)
082024	30.08.2024		Salaries paid to employees	**2844,57**	0200003572 (22.05.2024)
		Maksu- ja Tolliamet	Taxes related to labor costs	**2042,16**	0200003572 (22.05.2024)
TSD 08.2024	31.08.2024	Maksu- ja Tolliamet	Social tax and income tax payable on fringe benefits	**78,02**	0200003572 (22.05.2024)
092024	30.09.2024		Salaries paid to employees	**2844,56**	0200003572 (22.05.2024)
		Maksu- ja Tolliamet	Taxes related to labor costs	**2042,17**	0200003572 (22.05.2024)
112024	29.11.2024		Salaries paid to employees	**2844,56**	0200003572 (22.05.2024)
		Maksu- ja Tolliamet	Taxes related to labor costs	**2042,16**	0200003572 (22.05.2024)
122024	12.12.2024		Salaries paid to employees	**126,70**	0200003572 (22.05.2024)
122024	30.12.2024		Salaries paid to employees	**2717,87**	0200003572 (22.05.2024)
SIZE OF THE REMAINING EXPENDITURE OF THE OVERALL POPULATION *(This refers to the portion of expenditure that formed part of the audit population but was not selected for detailed document-level testing under the sampling methodology. These amounts remained within the audit scope; however, no matters were identified during the audit work that would have required expanding the sample.)*				**61981,28**	

The audit scope covered the activities and expenditures incurred up to 31 December 2024. <u>Role of the State Shared Service Centre in the Programme for improvement of energy efficiency and renewable energy use in public sector buildings:</u> Within this programme, the State Shared Service Centre acts as the implementing body, responsible for administering the measure, including receiving and assessing applications, verifying eligibility, authorising payments,

monitoring implementation and carrying out reporting and control activities.
For the administrative costs related specifically to the implementation of this programme, the State Shared Service Centre is also the final recipient, as these costs are financed directly from the Modernisation Fund in accordance with the applicable ministerial decisions and the programme's regulatory framework. Accordingly, in the answers below, references to "final recipient" relate to the State Shared Service Centre solely in the context of its eligible administrative expenditure under this programme.

Auditor's Summary Opinion

Based on the procedures carried out during the audit, it can be concluded that the use of the funds paid from the Modernisation Fund to the State Shared Service Centre, within the scope of the audit, has been compliant. The reimbursed costs comply with the requirements of European Union and Estonian national legislation and are directly linked to the implementation of the programme's planned objectives and activities.
For all audited expenditures, adequate and appropriate supporting documents exist, confirming the link to the programme and compliance with the eligibility conditions. The transactions correspond to the actual circumstances, the costs are accurately and fully recorded in the accounting system, have been paid correctly, and align with the nature and amounts of the recorded transactions. A minor immaterial difference (0.08 EUR) observed in one cost item did not affect the eligibility, accuracy or completeness of the audited expenditure.
In designing the audit methodology, the auditors applied the principle of proportionality, taking into account the nature and materiality of the expenditure. For the State Shared Service Centre, the Modernisation Fund-financed shares of purchased services within administrative costs were immaterial, and procurement compliance testing would not have provided additional audit assurance. Accordingly, procurement procedures were not reviewed for the Centre's administrative cost items.
Within the audit scope, no violations, shortcomings, or other circumstances were identified that would cast doubt on 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 programme have been managed transparently, purposefully and in accordance with applicable requirements.
The final recipient has implemented the necessary resources and procedures to ensure the retention of all documents related to the Modernisation Fund for at least five years after the final payment, as required by Article 16(5) of Regulation (EU) 2020/1001.
Programme-related publicity and visibility activities have been carried out in accordance with EU visibility and communication requirements.

Compliance of Project Planning with Modernisation Fund Objectives	**Conclusion (YES / NO / N/A)**
Auditor verified:	
➢ Whether the use of funding or the project (regardless of whether implemented by the final recipient or by the State Shared Services Centre as the implementing body) complies with the eligibility criteria (in accordance with Directive 2003/87/EC Article 10d, Regulation (EU) 2020/1001, national support conditions and the financing decision). **Explanation:** The State Shared Service Centre (https://www.rtk.ee/en), as a government agency under the Ministry of Finance, performs the role of implementing body within the Programme for improvement of energy efficiency and renewable energy use in public sector buildings. In accordance with the applicable regulations, the Centre is responsible for receiving and processing support applications, verifying compliance with eligibility requirements, authorising and executing payments for eligible activities or activity bundles (the "project"), and carrying out project-level oversight. To enable the performance of these functions, dedicated funding for administrative tasks has been allocated to the State Shared Service Centre through ministerial orders, ensuring that the activities related to programme management are financed in accordance with	**YES**

national and EU-level regulatory frameworks. These include: 1. **Administrative costs related to the measure established by the Minister of Finance Regulation No. 36 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 confirming both the financial volume of application rounds and the corresponding administrative cost allocations for the State Shared Services Centre: ✓ **Order of the Minister of Finance, 10 October 2023, No. 155:** Indicative financial volume for the 2023 application round as €40,000,000. Confirmed 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:** Financial volume for the 2025 application round as €45,000,000. Confirmed administrative costs for the measure implementer for conducting the application round as €150,000 in total. 2. **Administrative costs related to the measure established by the Minister of Public Administration Regulation No. 36 of 5 August 2022,** "Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings," and related ministerial orders approving the financial volume and administrative cost ceilings per application round: ✓ **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. All listed cost allocations represent direct administrative expenditures necessary for the State Shared Service Centre to implement the Modernisation Fund measures, including support administration, application processing, payment verification, supervision, and reporting. These activities fall squarely within the categories defined as eligible under Directive 2003/87/EC Article 10d and Regulation (EU) 2020/1001, which explicitly allow the use of Modernisation Fund support for the administration, monitoring, and control of supported measures, provided these tasks are essential for the implementation of the funded actions. **Based on the verification carried out, all reviewed activities and administrative costs were found to comply with the applicable eligibility rules in EU legislation, national regulations, and the decisions establishing the financial allocations. The expenditures are directly linked to the administration and oversight of Modernisation Fund measures and therefore meet the requirements for eligible use of funds.**	
➢ Whether the objective of the final recipient's activities is aimed at modernising energy systems or improving energy efficiency; **Explanation:** The administrative tasks for which the State Shared Service Centre is the final recipient directly support the implementation of measures whose objectives are to modernise energy systems and improve energy efficiency. The national regulations governing the measures — Minister of Finance Regulation No. 36 of 26 September 2023 and Minister of Public Administration Regulation No. 36 of 5 August 2022 — explicitly define State Shared Service Centre as the implementing body responsible for organising and managing support schemes aimed at achieving these objectives. In accordance with Directive 2003/87/EC Article 10d and Commission Implementing Regulation (EU) 2020/1001, the operation of the Modernisation Fund includes essential functions such as the submission, assessment and approval of investments, disbursement of funds,	**YES**

monitoring, reporting and auditing. These functions form part of the Modernisation Fund's implementation structure and are necessary for ensuring that the supported investments achieve their intended purpose of modernising energy systems or improving energy efficiency. State Shared Service Centre's activities — including processing applications, verifying eligibility, authorising payments, maintaining project oversight, and fulfilling reporting and control obligations — are therefore directly linked to enabling and safeguarding the delivery of investments whose objectives align with the Modernisation Fund's purpose. The administrative expenditures audited relate exclusively to these implementation tasks, which are necessary to ensure that the support reaches measures contributing to improved energy efficiency and the modernisation of public-sector energy systems. **Accordingly, even though State Shared Service Centre does not implement investment activities itself, its administrative role directly contributes to the achievement of the Modernisation Fund's objectives, and the audited expenditures support activities whose overarching aim is modernising energy systems or improving energy efficiency.**	
➢ 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). **Explanation:** The State Shared Service Centre`s administrative tasks financed from the Modernisation Fund support measures whose objectives are consistent with the EU Green Deal, including the reduction of carbon emissions, increased energy efficiency and the transition to clean energy. The national regulations governing the relevant measures—Minister of Finance Regulation No. 36 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 Minister of Public Administration Regulation No. 36 of 5 August 2022, "Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings"—define support schemes that explicitly target energy efficiency improvements and the modernisation of energy systems in public-sector buildings. These aims correspond directly to the EU Green Deal objectives of improving energy performance, reducing energy consumption, and lowering greenhouse gas emissions. Under Directive 2003/87/EC Article 10d and Commission Implementing Regulation (EU) 2020/1001, administrative functions such as the assessment and processing of applications, payment authorisation, monitoring, reporting, and control form an essential part of the operation of the Modernisation Fund. These implementation tasks ensure that the Modernisation Fund resources are directed to investments that advance clean energy transitions and contribute to climate neutrality—key priorities under the EU Green Deal. **Therefore, State Shared Service Centre`s activities support the achievement of the EU Green Deal objectives by enabling, managing and supervising measures aimed at modernising energy systems and improving energy efficiency. The administrative expenditures audited are thus linked to activities that facilitate and safeguard the delivery of outcomes aligned with the EU Green Deal.**	**YES**
➢ 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_2 emissions) and a description of the measurement methodology, ensuring transparent, reliable and Modernisation Fund-compliant information on the achievement of results; **Explanation:** As the State Shared Service Centre is the final recipient only for its administrative costs and does not carry out investment activities, it does not have project-level performance indicators of its own. Its role is administrative: receiving and assessing applications, verifying eligibility, authorising payments, and ensuring compliance with the conditions set out in the applicable national regulations and EU-level Modernisation Fund rules. However, for the projects implemented under the measures, the regulatory framework requires that final recipients provide clear and measurable performance indicators. Both Minister of Finance Regulation No. 36 of 26 September 2023 ("Conditions and Procedures for the Use of Support	**YES**

from the Modernisation Fund for Improving the Energy Efficiency of Local Government Buildings") and Minister of Public Administration Regulation No. 36 of 5 August 2022 ("Conditions and Procedures for the Use of the Modernisation Fund Support for Energy Efficiency Improvements in Central Government Buildings") require that applicants specify the projected energy savings, expected improvements in energy efficiency, or other quantifiable outcomes relevant to the Modernisation Fund's objectives. These indicators typically include measurable units such as reductions in CO_2 emissions, energy savings in MWh, or improvements in energy performance. The application forms and project reports issued within these measures include these performance indicators together with methodologies for their calculation and reporting. As part of its administrative function, the State Shared Service Centre verifies that the final recipients have provided the required indicators and methodologies in their project documentation in accordance with the national regulations and the Modernisation Fund's operational rules. **Accordingly, while the State Shared Service Centre does not define performance indicators for its own administrative activities, the underlying project documentation submitted by final recipients includes the required indicators and measurement methodologies. These ensure transparent, consistent and Modernisation Fund-compliant reporting on the achievement of results at project level.**	
➢ 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; **Explanation:** The Estonian Government Regulation No. 25 of 10 March 2022 "General Conditions for the Use and Reporting of Modernisation Fund Resources" does not provide for a requirement to submit the results of an assessment regarding compliance of the supported activity with the "do no significant harm" (DNSH) principle or the assurance of climate resilience of the supported infrastructure. The Modernisation Fund Assessment Guidance Document (p. 9) states: "*Do no significant harm" principle (applicable as of 1 January 2025). In line with Article 10f of the ETS Directive, from 1 January 2025, the BMS and the EC shall use the revenues generated from the auctioning of allowances referred to in Article 10(1), third (Original 2%) and fourth subparagraphs (New 2.5%) of this Directive in accordance with the "do no significant harm" criteria set out in Article 17 of Regulation (EU) 2020/852, where such revenues are used for an economic activity for which technical screening criteria for determining whether an economic activity causes significant harm to one or more of the relevant environmental objectives have been established pursuant to Article 10(3), point (b), of that Regulation. Further guidance on how the BMS will have to demonstrate compliance with Article 10f of the ETS Directive will be agreed and communicated at a later stage*." **The DNSH principle became mandatory from 1 January 2025. At the time of programme planning, this requirement was not applicable; therefore, no non-compliance was identified. Future programmes will need to comply with DNSH requirements effective from 1 January 2025.**	**N/A**
➢ 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. **Explanation:** The audited costs concern the administrative activities of the State Shared Service Centre as the implementing body. These activities do not constitute State aid within the meaning of EU State aid rules, nor do they involve the granting of support to an economic undertaking. The State Shared Service Centre is a government agency under the Ministry of Finance and performs non-economic public administrative functions defined in national regulations (Minister of Finance Regulation No. 36 of 26 September 2023 and Minister of Public Administration Regulation No. 36 of 5 August 2022). As such, its administrative tasks do not fall within the scope of State aid rules. Compliance with EU State aid requirements is assessed at project level, where applicable, during the processing of applications by the State Shared Service Centre, based on the conditions laid down in the relevant ministerial regulations. **Since the costs audited relate solely to the implementing**	**N/A**

<table>
<tr><td>body's own administrative expenditure and do not involve granting State aid to final recipients, the question is not applicable.</td><td></td></tr>
<tr><td>Scope of activities and exclusions:
➢ 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?
Explanation: The audited expenditure concerns only the administrative activities of the State Shared Service Centre as the implementing body. The State Shared Service Centre does not carry out investment activities, construct energy installations, or implement energy-related measures itself. Therefore, no funding audited is used for energy generation, including installations operating on fossil fuels, coal, lignite or other solid fossil fuels. Similarly, the audited administrative costs do not involve any activities related to fossil gas, nor do they constitute—directly or indirectly—temporary or transitional fossil fuel investments. Such considerations are applicable only at the project investment level, where they are assessed in accordance with Directive 2003/87/EC Article 10d and the requirements established in the national regulations governing the Modernisation Fund measures (Minister of Finance Regulation No. 36 of 26 September 2023 and Minister of Public Administration Regulation No. 36 of 5 August 2022). Since the audit concerns the State Shared Service Centre's administrative expenditure and no investment activities are financed under these costs, the fossil-fuel-related exclusions are not applicable.</td><td>N/A</td></tr>
<tr><td>Actual Implementation of Activities and Achievement of Impacts (exclusion of activities: the auditor does not perform or commission an energy audit or CO_2 reduction calculations)</td><td rowspan="2">Conclusion (YES / NO / N/A)</td></tr>
<tr><td>Auditor verified:</td></tr>
<tr><td>➢ 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;
Explanation: In the context of the audited expenditure, the State Shared Service Centre is the final recipient for the purposes of its own administrative costs financed from the Modernisation Fund, which constitute an eligible use of support under the national regulations establishing the measures and correspond to the Centre's designated role as implementing body.
Under Minister of Finance Regulation No. 36 of 26 September 2023 and Minister of Public Administration Regulation No. 36 of 5 August 2022, the State Shared Service Centre is tasked with the implementation of the Modernisation Fund measures, including processing applications, verifying eligibility, monitoring compliance, authorising payments, reporting and performing oversight. The administrative costs reimbursed from the Modernisation Fund reflect activities that are necessary for ensuring proper implementation and supervision of the support schemes.
The audited costs — including salaries and related taxes, expert consultancy services related to measure implementation, business travel, staff training, seminar organisation, room rentals, catering for work-related events, and other operational expenses — fall within the scope of administrative functions described in the applicable regulations. These activities support the Centre's statutory mandate and ensure that the Modernisation Fund measures are administered in line with EU and national requirements. Since the national regulations and ministerial orders explicitly define the administrative tasks of the State Shared Service Centre as part of the measure's implementation structure and provide for their financing from the Modernisation Fund, the audited activities comply with the purpose of the funding and with the terms governing the use of support. The activities are appropriate, necessary and consistent with the functional role assigned to the State Shared Service Centre.</td><td>YES</td></tr>
</table>

➢ 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; **Explanation:** The audited activities of the State Shared Service Centre have been implemented within the prescribed timeframe for which the funding was allocated and in accordance with the timelines defined in the applicable ministerial orders. The audit covered administrative expenditure incurred in 2023–2024, and the Minister of Finance and Minister of Public Administration orders issued for the respective Modernisation Fund measures explicitly authorised the use of Modernisation Fund resources for the State Shared Service Centre's implementation activities during these periods. The ministerial orders adopted under Minister of Finance Regulation No. 36 of 26 September 2023 and Minister of Public Administration Regulation No. 36 of 5 August 2022 confirmed the financial volumes and administrative cost allocations for each application round and specified the years during which the implementing body may incur administrative expenditure. **All reviewed expenditures were incurred within the periods covered by the relevant ministerial orders. No expenditure was identified outside the authorised timeframe, and no deviations from the approved implementation schedule were observed. Accordingly, the activities audited were carried out within the authorised period and in alignment with the implementation schedule established in the governing ministerial decisions and financing framework of the Modernisation Fund.**	**YES**
➢ 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_2 emissions), and whether the reported results are sufficiently substantiated / documented (where possible with photos, data records, etc.) **Explanation**: The audited expenditure concerns only the State Shared Service Centre's administrative activities, for which the Centre is the final recipient under this programme. These activities have been carried out in line with the applicable regulations and the purpose of the funding. The achievement of programme-level results (e.g. energy savings, CO_2-reduction indicators) cannot yet be assessed in this audit, as the investment projects under the programme are still ongoing and have not reached the reporting milestones set in the financing decisions and national regulations. This is fully in line with the programme's regulatory framework, as result reporting becomes due only after project completion. Final recipients are required to submit measurable performance indicators only after project completion and over several subsequent reporting years. As the relevant reporting periods have not yet commenced, no result data is available for verification. **Consequently, programme-level outcomes cannot yet be confirmed. This does not affect the compliance of the administrative expenditures audited.**	**N/A**
Accounting **Auditor verified:**	**Conclusion (YES / NO / N/A)**
➢ 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; **Explanation:** Within the scope of this audit, the administrative costs of the State Shared Service Centre financed from the Modernisation Fund have been recorded in a way that allows direct reconciliation. The Centre uses the SAP accounting system, and all audited transactions were entered using the specific object code 9R40-MF00-08112HALD, which clearly distinguishes Modernisation Fund–related administrative expenditure from other costs. **All costs reviewed during the audit period were systematically recorded under this code, making them traceable, verifiable and directly linked to the implementation activities financed from the Modernisation Fund. The accounting system**	**YES**

therefore enables clear reconciliation between the declared expenditure and the underlying financial records.	
➢ 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; **Explanation:** Within the scope of this audit, the allocation of costs across different funding sources has been carried out systematically and based on established, documented allocation keys. As the implementing body, the State Shared Service Centre determines its administrative costs according to the tasks required for the preparation, implementation, control, monitoring, training, evaluation and communication of the Modernisation Fund measures. These tasks generate costs such as staff expenses, travel costs, training, expert services and similar administrative expenditures, which are considered justified and necessary for the effective management of the measures. The Centre applies uniform principles for defining and allocating administrative and implementation costs across all funding instruments, unless a specific legal act provides otherwise. The allocation keys used for staff costs are based on earlier time-measurement exercises, which assessed how working time is distributed across different tasks. These percentages are formally approved by Director General's orders, and they are reviewed and adjusted when the nature or volume of work changes. For the period covered by the audit, the following Director General's orders governed the distribution of staff costs across funding sources: ➢ 29.03.2023 No. 1-2/23/21 ➢ 26.07.2023 No. 1-2/23/49 ➢ 27.12.2023 No. 1-2/23/84 ➢ 29.01.2024 No. 1-2/24/7 ➢ 12.07.2024 No. 1-2/24/57 These orders specify, per employee, the exact percentage of salary financed from the Modernisation Fund and from other funding sources. The State Shared Service Centre uses SAP as its accounting system, and all Modernisation Fund-related administrative transactions are recorded under the dedicated object code 9R40-MF00-08112HALD. This ensures that the portion financed from the Modernisation Fund is clearly distinguishable from expenditure covered by other instruments, each of which has its own object code (for example, the Estonian–Latvian Programme technical assistance uses code 9R40-LV21-RPM-TA). All tested transactions were allocated in line with the principles and percentages established in the Director General's orders. Where a cost is fully attributable to the implementation of Modernisation Fund measures—such as the trainer's fee for a training session held specifically for energy audit preparers under the 2023 application round—the expenditure is allocated 100% to the Modernisation Fund object. **Based on the audit procedures performed, the allocation keys are appropriate, consistently applied and accurately reflected in the accounting records.**	**YES**
➢ whether clear accounting records have been maintained to prevent double reimbursement of costs, and whether cost documents are easily distinguishable (i.e., costs related to the use of the grant are clearly separated from other costs in the accounting system, as well as the cost and payment documents reflecting these costs from other documents); **Explanation:** Within the scope of this audit, clear accounting records have been maintained to ensure that no costs are reimbursed twice and that all expenditure related to the Modernisation Fund is fully distinguishable from other costs. The State Shared Service Centre uses the SAP accounting system, and all audited transactions financed from the Modernisation Fund were recorded under the dedicated object code 9R40-MF00-08112HALD, which prevents overlap with other funding sources. Other grants and programmes use separate object codes, ensuring	**YES**

that no transactions can be mixed or duplicated across funding streams. **All cost and payment documents reviewed during the audit were recorded consistently under the correct code, allowing the expenditure to be traced from the accounting system to the underlying invoices, contracts and payroll records. This coding structure ensures clear separation from other institutional costs and provides an auditable trail that excludes the risk of double reimbursement. Cost documentation was complete, properly linked to the corresponding accounting entries and easily distinguishable from documents relating to other activities.**	
➢ 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.); **Explanation:** Within the scope of this audit, no instances of double financing were identified. The State Shared Service Centre records all Modernisation Fund administrative expenditure using a dedicated object code in the SAP accounting system (**9R40-MF00-08112HALD**), while other funding instruments use separate object codes. This ensures that costs cannot be recorded simultaneously under multiple funding sources and provides a clear accounting separation between the Modernisation Fund and other EU or national programmes. Since the audited expenditure concerns the Centre's own administrative costs and is not processed through SFOS, cross-checks in that system are not applicable. The accounting structure itself ensures that costs are allocated only once and in accordance with the Director General's orders governing salary distribution across funding sources. **Based on the audit work performed, including reconciliation of accounting entries and review of documentation, no evidence was found of any costs being claimed from more than one funding source.**	**YES**
➢ whether the costs are recorded in the final recipient's accounting system or reflected in tax documents; **Explanation:** Within the scope of this audit, the costs financed from the Modernisation Fund were recorded in the State Shared Service Centre's accounting system and reflected in the relevant tax documents where applicable. Audit procedures included reviewing the recording of transactions in SAP, verifying the existence and approval of invoices and supporting documents, and confirming the execution of payments. The accounting entries and underlying documentation were, in all material respects, consistent and correctly linked to the relevant Modernisation Fund object code. One minor inconsistency was noted regarding the difference in the number of participants listed for a large seminar when comparing the accounting records and the attendance list; however, the financial impact of this deviation was immaterial (0.08 euros) and does not affect the overall reliability of the recorded expenditure. **Overall, the accounting records reviewed were properly maintained, and the costs were appropriately reflected in both the accounting and tax documentation.**	**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; **Explanation:** The audited expenditure relates to a programme activity in which the responsible ministries transfer funding to the State Shared Service Centre for the purpose of covering its administrative and implementation-related tasks under the Modernisation Fund measures. In this context, the relevant part of the question is item (B). **Within the scope of this audit (2023–2024), the funding allocated for administrative costs was transferred to the State Shared Service Centre in accordance with the ministerial orders issued under the applicable**	**YES**

regulations. These transfers were made within the authorised period.	
Overall Financial Accounting Aspects **Auditor verified:**	**Conclusion (YES / NO / N/A)**
➢ Whether the costs declared by the project applicant or the final recipient of the Modernisation Fund support are eligible in accordance with the conditions for granting the support and the funding decision, and whether the funded costs were foreseen in the application or have been accepted by the responsible ministry or the State Shared Service Centre (e.g., through a contract amendment, correspondence, or reporting). ➢ Whether the amount and description of the costs correspond to the project budget and what was presented in the application. **Explanation:** Programme financial start date was July 1, 2021 and financial completion date will be December 31, 2030. Within the scope of this audit, the administrative costs declared by the State Shared Service Centre as final recipient under the Modernisation Fund were found to be eligible in accordance with the applicable regulations and the ministerial funding decisions. The audited costs—such as staff costs and related taxes, travel expenses, training, expert services, and seminar-related expenditure etc—are activities foreseen under the Centre's implementation responsibilities as defined in Minister of Finance Regulation No. 36 of 26 September 2023 and Minister of Public Administration Regulation No. 36 of 5 August 2022. All audited expenditure was recorded under the correct Modernisation Fund object code in SAP (9R40-MF00-08112HALD) and supported by valid cost documents. The amounts, nature and purpose of the costs correspond to the types of administrative activities required for the proper implementation, monitoring and management of the Modernisation Fund measures. The Director General's orders governing the allocation of staff costs across funding sources confirm that the salary proportions financed from the Modernisation Fund during 2023–2024 were authorised for this purpose. **Based on the verification performed within the scope of this audit, the funded costs are consistent with the funding framework, fall within the categories foreseen for administrative expenditure, and are supported by documentation that aligns with the declared purpose and coding structure. No deviations of material significance were identified regarding the alignment of costs with the intended budget or the conditions for granting support.**	**YES**
➢ 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. **Explanation:** Within the scope of this audit, the costs financed from the Modernisation Fund and declared by the State Shared Service Centre as the final recipient were incurred, documented and paid by the Centre itself. All audited expenditure—such as staff costs and related taxes, travel expenses, training, seminar costs, expert services and other implementation-related administrative costs—was supported by appropriate documentation, including invoices, contracts, travel orders and payment confirmations. The transactions were recorded in the SAP accounting system under the dedicated Modernisation Fund object code 9R40-MF00-08112HALD, which ensures a clear link to the Modernisation Fund financing. The documentation reviewed confirmed that the costs relate directly to the Centre's implementation duties under the applicable national regulations (Minister of Finance Regulation No. 36 of 26 September 2023 and Minister of Public Administration Regulation No. 36 of 5 August 2022). The expenditures were made in line with the Centre's internal procedures, in an efficient manner, and with a clear connection to the tasks necessary for the administration and oversight of the Modernisation	**YES**

Fund measures. **Based on the verification performed within the scope of this audit, the costs were correctly incurred by the final recipient, properly paid, and supported by sufficient and appropriate documentation.**	
➢ Whether the costs were incurred within the eligible project period and do not exceed the eligibility timeframe. **Explanation**: The programme's financial start date was 1 July 2021, and the financial completion date will be 31 December 2030. The costs reviewed in the scope of this audit were incurred within the eligible period of the Modernisation Fund. The audited administrative costs of the State Shared Service Centre fall within the years 2023–2024 and are therefore within the eligibility timeframe. **No costs were identified outside the permissible financing period.**	**YES**
➢ 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. **Explanation**: Within the scope of this audit, the support paid for eligible costs does not exceed any of the applicable limits at programme level or for administrative expenditure. At programme level, the European Investment Bank decision MF 2021-2 EE 0-001 of 11 October 2021 confirms that Estonia indicated an expected Modernisation Fund support volume of EUR 170,000,000 for the investment proposal. This overall ceiling covers both the implementation of the measures (i.e., project-level investments) and the administrative costs necessary for their management. The audited administrative expenditure of the State Shared Service Centre — EUR 8,790.42 in 2023 and EUR 77,986.05 in 2024, totalling EUR 86,776.47 — represents only a very small fraction of this total and remains well within the overall programme ceiling. For administrative expenditure, separate national limits apply. These are established in a series of ministerial orders issued under Minister of Finance Regulation No. 36 (26 September 2023) and Minister of Public Administration Regulation No. 36 (5 August 2022). These orders define the maximum amounts available to the State Shared Service Centre to perform its implementation tasks. The administrative costs audited fall fully within the limits authorised in these national decisions. Regarding proportionality of cost allocation, there is no fixed funding rate or co-financing percentage defined specifically for the State Shared Service Centre's administrative expenditure under the Modernisation Fund. Instead, the Centre applies internally approved allocation keys for distributing staff costs across funding sources. These keys are based on previously conducted time-measurement exercises and formalised through Director General's orders. Where an activity relates exclusively to the Modernisation Fund — for example, training organised specifically for applicants in the 2023 Modernisation Fund application round — the cost is allocated 100% to the Modernisation Fund object code. This approach is consistent with the Centre's cost-allocation rules and ensures that funding is applied proportionately and appropriately. **Based on the verification performed within the scope of this audit, the support claimed for administrative costs does not exceed the programme-level allocation, does not exceed the ministerial limits for administrative expenditure, and is allocated in accordance with the Centre's established internal proportionality rules.**	**YES**
➢ Whether the costs comply with applicable tax and social legislation **Explanation:** Within the scope of this audit, the costs were found to comply with the applicable tax and social legislation. For invoices included in the audit sample, the correct VAT rate was applied, and the invoices were issued in accordance with the legal requirements. Salary-related costs were also correctly calculated and recorded: payroll documents reflected the appropriate statutory deductions (including income tax, social tax and other mandatory labour-related contributions), and taxable fringe benefits were processed and taxed in line with the relevant legislation. All payments reviewed were executed by the State Shared Service Centre in accordance with statutory obligations and supported by appropriate	**YES**

documentation. **No issues of material significance were identified that would indicate non-compliance with tax or social legislation.**	
➢ Whether the cost description is clear and, based on the description, demonstrably linked to the project activity. **Explanation:** Within the scope of this audit, the cost descriptions were clear and adequate, and the linkage between the recorded costs and the State Shared Service Centre's implementation activities under the Modernisation Fund was demonstrable. All audited cost items—such as staff costs, related taxes, travel expenditure, training, seminar organisation, expert fees and other administrative expenses—contained descriptions that allowed the costs to be directly associated with the Centre's statutory tasks in preparing, managing and supervising the Modernisation Fund measures. The descriptions provided in invoices, payroll documents and internal accounting entries were sufficient to understand the nature and purpose of each cost, and they were consistent with the implementation responsibilities outlined in the applicable national regulations. Where a cost related exclusively to Modernisation Fund tasks, it was fully assigned to the Modernisation Fund object code; where allocations were needed, they were made according to the Director General's approved distribution percentages. **Overall, based on the verification carried out within the scope of this audit, the cost descriptions were adequate and demonstrably linked to the administrative activities required for the implementation of the Modernisation Fund measures.**	**YES**
➢ Whether the costs are, in the auditor's opinion, reasonable, justified, and in line with the principles of sound financial management. **Explanation:** Within the scope of this audit, the costs declared by the State Shared Service Centre were considered reasonable, justified and in line with the principles of sound financial management. The expenditure consisted of administrative and implementation-related costs necessary for carrying out the Centre's responsibilities under the Modernisation Fund measures, such as staff costs and related taxes, travel expenses, training, seminars, expert services and other operational items. The amounts were proportionate to the nature and scale of the activities performed and consistent with typical public-sector cost levels. Cost items were supported by appropriate documentation, allocated according to approved internal distribution rules and recorded under the correct Modernisation Fund object code, ensuring transparency and controlled use of funds. No indications of excessive, unnecessary or inefficient spending were identified during the audit. **Based on the verification performed within the scope of this audit, the costs were in line with the principles of economy, efficiency and effectiveness.**	**YES**
➢ 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). **Explanation:** Within the scope of this audit, the funding covered costs that were directly related to the State Shared Service Centre's implementation activities under the Modernisation Fund and had actually been incurred. The audited expenditure consisted of both direct administrative costs (such as expert fees, training, travel and seminar-related costs) and indirect costs linked to employees whose work is partially allocated to the Modernisation Fund. Indirect costs—such as participation in internal seminars or organisation-related events—were allocated proportionally according to the Director General's approved workload distribution percentages. For example, where an employee's duties are 45% related to Modernisation Fund tasks, 45% of that employee's associated participation cost was allocated to the Modernisation Fund. This proportional allocation is consistent with the Centre's internal cost-allocation methodology and reflects the actual workload related to the implementation of the measures. All audited costs had supporting evidence demonstrating that the service was delivered, the goods were received or the work was performed. Payments were made only after acceptance in accordance with internal procedures, and all expenditures were recorded under the Modernisation Fund's dedicated object code (9R40-MF00-08112HALD), ensuring traceability. **Based on the verification performed within the scope of this**	**YES**

audit, all costs—both direct and proportionally allocated indirect costs—were found to be actually incurred and appropriately linked to the activities required for administering and implementing the Modernisation Fund measures.	
➢ 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. **Explanation:** Within the scope of this audit, the technical and administrative costs financed from the Modernisation Fund were found to be reasonable and justified in relation to the scope and objectives of the activities carried out by the State Shared Service Centre as the implementing body. The audited costs — including staff costs and related taxes, training, travel, expert services, seminar and room-rental costs, and other administrative expenses — correspond to the tasks necessary for preparing, managing, monitoring and reporting on the Modernisation Fund measures. The amounts observed were proportionate to the nature of the work performed and aligned with standard public-sector practice. For indirect costs linked to staff whose duties are only partially related to the Modernisation Fund, expenditures were allocated proportionally in accordance with the Director General's approved workload distribution percentages. This ensured that only the share of costs corresponding to actual Modernisation Fund–related work was financed. All technical and administrative cost items were supported by appropriate documentation, incurred efficiently and linked to the Centre's statutory responsibilities under the applicable national regulations. **Based on the verification performed within the scope of this audit, the costs are considered reasonable, necessary and consistent with the principles of sound financial management..**	**YES**
➢ Whether the cost documents and contracts are consistent (including invoices, quantities, and delivered services/works). **Explanation:** Within the scope of this audit, the cost documents and related contracts were found to be consistent. The quantities, descriptions and services reflected on the invoices matched the supporting documents such as contracts, attendance lists, travel orders, delivery confirmations and payment records. For staff-related costs, payroll calculations, tax components and proportional allocations corresponded to the Director General's approved workload distribution percentages. The administrative expenditure tested — including seminars, training, expert services, travel and salary-related items — was supported by documentation that was coherent, aligned with the nature of the activity and showed no material discrepancies between what was contracted, delivered and invoiced. One minor immaterial discrepancy was observed regarding participant numbers in a seminar attendance list, but its financial impact was negligible and does not affect the overall assessment. **Based on the verification performed within the scope of this audit, the cost documents, contracts and delivered services were consistent and reliably supported.**	**YES**
Own contribution **Auditor verified:**	**Conclusion (YES / NO / N/A)**
➢ 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). **Explanation:** Within the scope of this audit, the question of monetary co-financing is not directly applicable, as no specific co-financing rate is defined for the State Shared Service Centre's administrative costs under the Modernisation Fund. The funding decision and the applicable national regulations do not require the Centre to provide monetary co-financing; instead, administrative costs are covered proportionally from different funding sources based on the workload distribution percentages set out in the Director General's orders.	**YES**

<table>
<tr><td>The Centre allocates staff-related and indirect administrative costs across financing instruments (including the Modernisation Fund and the state budget) according to these approved internal allocation keys. This proportional distribution constitutes the Centre's contribution, and no fixed co-financing percentage is foreseen or required for administrative expenditure. Based on the procedures performed, the costs reviewed were financed in accordance with the established allocation rules, and no instances were identified where required co-financing was missing or where costs should have been covered by another source. All expenditures were properly allocated and supported in line with the Centre's internal methodology and the Modernisation Fund's requirements.</td><td></td></tr>
<tr><td>➢ Whether the co-financing is correctly recorded in the beneficiary's accounting system and relevant reports.
Explanation: Within the scope of this audit, it was verified that all audited costs were fully paid and fully recorded in the State Shared Service Centre's accounting system. For administrative expenditure under this programme, no mandatory monetary own contribution is required; the Centre covers the remaining share of these costs from its other funding sources in accordance with its internal allocation rules.
The audit focused solely on confirming that the portion of costs financed from the Modernisation Fund was correctly calculated, recorded and traceable. Where costs were allocated between the Modernisation Fund and other funding sources, only the Modernisation Fund share was tested for accuracy. The correctness of allocations relating to other funding sources was not assessed, as this lies outside the scope of the audit.
The audited transactions were entered using the dedicated Modernisation Fund object code 9R40-MF00-08112HALD. Based on the procedures performed, the Modernisation Fund share of the expenditure was recorded in line with the Centre's internal allocation methodology.</td><td>YES</td></tr>
<tr><td>Value Added Tax (VAT)</td><td rowspan="2">Conclusion (YES / NO / N/A)</td></tr>
<tr><td>Auditor verified:</td></tr>
<tr><td>➢ Whether VAT is eligible for the beneficiary,
a) it is permitted under the conditions for granting the support, and
b) the beneficiary has no right to deduct or reclaim the VAT paid as input VAT in accordance with applicable VAT regulations.
Explanation: Within the scope of this audit, only VAT amounts that are non-refundable and non-recoverable have been declared. The Government of the Republic Regulation No. 25 of 10 March 2022, "General Conditions for the Use and Reporting of Modernisation Fund Resources", does not define measure-specific VAT rules for the State Shared Service Centre, and no additional VAT-eligibility conditions have been established for the Centre's administrative activities.
During the audited period, the State Shared Service Centre (registration code 70007340) was registered as a limited VAT taxpayer since 15 September 2018, as confirmed on 11 February 2026 through the Estonian Tax and Customs Board VAT register (VAT number EE102099579). As a limited VAT taxpayer, the Centre has no right to deduct input VAT, meaning that any VAT included on invoices constitutes a non-recoverable cost for the final recipient. Accordingly, all VAT amounts included in the audited transactions are non-deductible and therefore eligible for coverage from Modernisation Fund resources. Based on the verification performed within the scope of this audit, no indications were found that recoverable VAT had been declared, given the final recipient's VAT status</td><td>YES</td></tr>
<tr><td>➢ Have only VAT amounts that are non-refundable and non-recoverable been declared.
Explanation: Within the scope of this audit, only VAT amounts that are non-refundable and non-recoverable have been declared. The Government of the Republic Regulation No. 25 of 10 March 2022, "General Conditions for the Use and Reporting of Modernisation Fund Resources", does not define measure-specific VAT rules for the State Shared Service Centre, and no additional VAT-eligibility conditions have</td><td>YES</td></tr>
</table>

been established for the Centre's administrative activities. During the audited period, the State Shared Service Centre (registration code 70007340) was registered as a limited VAT taxpayer since 15 September 2018, as confirmed on 11 February 2026 through the Estonian Tax and Customs Board VAT register (VAT number **EE102099579**). As a limited VAT taxpayer, the Centre **has no right to deduct input VAT**, meaning that any VAT included on invoices constitutes a non-recoverable cost for the final recipients. Accordingly, all VAT amounts included in the audited transactions are non-deductible and therefore eligible for coverage from Modernisation Fund resources. **Based on the verification performed within the scope of this audit, no indications were found that recoverable VAT had been declared, given the final recipient's VAT status.**	
➢ Are there supporting documents (e.g., confirmation from the Estonian Tax and Customs Board) indicating that VAT is non-refundable or non-deductible? If such a document is not available, the auditor will add a note to the working papers stating that no possibility of refund was identified during the review. **Explanation:** Within the scope of this audit, verification was performed regarding the VAT status of the State Shared Service Centre. The entity is registered as a limited VAT taxpayer under VAT number EE102099579, as confirmed through the Estonian Tax and Customs Board's VAT register on 11 February 2026. As a limited VAT taxpayer, the Centre has no right to deduct or reclaim input VAT, meaning that all VAT included on invoices is non-refundable and therefore eligible. A separate confirmation letter from the Tax and Customs Board is not issued in such cases; consequently, no additional supporting document exists beyond the public VAT register entry. In line with audit practice, a note has been added to the working papers documenting that the final recipient has no possibility to recover VAT and that no indications of recoverable VAT were identified during the audit procedures. **Based on this verification, only non-deductible VAT has been declared within the scope of this audit.**	**YES**
➢ Have public sector beneficiaries refrained from declaring VAT for activities falling under the exercise of sovereign powers? If VAT has been declared for activities outside the scope of sovereign powers, has the beneficiary provided confirmation from the competent state authority. **Explanation:** The State Shared Service Centre is a public sector institution whose activities financed from the Modernisation Fund relate to non-economic public administrative functions. Within the scope of this audit, no VAT was declared for activities falling under the exercise of sovereign powers. As the Centre is registered as a limited VAT taxpayer and has no right to deduct input VAT, any VAT included on invoices constitutes a non-recoverable cost. Since the audited activities do not involve taxable economic activities or activities outside the scope of sovereign powers, no confirmation from a competent state authority was required. The audit did not identify any instances where VAT would have required separate verification or where VAT had been declared inappropriately.	**YES**
Implementation of Procurement and Purchasing	**Conclusion (YES / NO / N/A)**
Auditor verified:	
➢ Were the principles of transparency, proportionality, and equal treatment of tenderers observed during the procurement or purchasing procedure. ➢ Have the requirements of the Public Procurement Act been complied with in the case of public sector beneficiaries. ➢ 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. ➢ Did the successful tenderer and its bid comply with the procurement notice and the tender documents.	**N/A**

➢ Was the procurement procedure transparent, justified, and non-discriminatory. ➢ 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. ➢ Was the contract concluded under conditions consistent with the tender and the procurement documents. ➢ Was the procurement contract concluded without a conflict of interest, and is the contracting partner not a related party. ➢ If a framework agreement was used, was it concluded in compliance with the principles of transparency and best price-quality ratio. ➢ Is all procurement documentation (including notices, minutes, quotations, contracts, etc.) available, complete, and auditable. ➢ Have similar or functionally related purchases not been artificially split to avoid the application of procurement or purchasing procedures. ➢ 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. **Explanation: Within the scope of this audit, the procurement procedures of the State Shared Service Centre were not assessed.** In designing the audit approach for administrative expenditure of the State Shared Service Centre, the auditors applied the principle of proportionality, taking into account the nature and materiality of the expenditure. ➢ The majority of the audited costs consisted of items to which the Public Procurement Act does not apply (e.g., salaries and related taxes, travel and subsistence expenses, reimbursement of personal vehicle use). ➢ For the limited number of cost items involving purchased services, the portion financed from the Modernisation Fund was immaterial and represented only a proportional share of broader institutional purchases. For example, the largest invoice in the sample (EUR 25,478.90 including VAT) resulted in a Modernisation Fund-financed amount of only EUR 24.03. ➢ In all cases, the Modernisation Fund-financed portion of service-related invoices was significantly below the national public procurement threshold of EUR 30,000 for goods and services (§14 of the Estonian Public Procurement Act), meaning no mandatory procurement procedure was required under the Act. ➢ Although the institution’s internal procurement rules may set lower thresholds, the audit of the Centre’s administrative expenditure was not designed to assess institution-wide procurement compliance. In line with proportionality principles commonly applied in EU-funded audits, small-value items with immaterial Modernisation Fund exposure were reviewed for eligibility, but procurement compliance testing was not performed where such testing would not have added audit assurance. Consistent with this approach, where the Modernisation Fund–financed portion of an expenditure item was below approximately EUR 1,000, it was neither necessary nor efficient to audit a potential procurement process behind a general institutional purchase. ➢ One contract (No. 11.1-15/24/77-1) in the sample exceeded EUR 1,000 in total value; however, the Modernisation Fund-financed share of this contract was below EUR 30,000 and therefore not subject to mandatory procurement requirements. In addition, the contract complied with the Centre’s internal rules requiring written contracts with natural persons. Accordingly, procurement procedures were not examined for the Centre’s administrative cost items, as procurement testing would not have contributed additional assurance in the context of the Modernisation Fund-financed amounts. The audit work focused solely on verifying the eligibility and correctness of the Modernisation Fund-financed expenditure, and no conclusions are drawn regarding the underlying procurement processes.	
Personnel-related costs and other costs, including administrative costs for implementing State Shared Services Centre measures	**Conclusion**

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.	**(YES / NO / N/A)**
➢ What methodology is used for determining personnel costs and linking them to the funding? ➢ Does the calculation of personnel costs comply with the applicable grant conditions and permitted accounting principles? ➢ Is the link between personnel costs and the project sufficiently evidenced (including project-related tasks, working time, and workload proportion)? ➢ Are relevant documents such as employment contracts, job descriptions, or task allocations available to demonstrate the employees' connection to funded activities? ➢ Is the portion of working time reimbursed from the funding correctly calculated and documented? ➢ Are tasks not related to the funding correctly separated? ➢ Are travel expenses and daily allowances correctly defined and linked to the project, in accordance with the beneficiary's internal rules and applicable legislation? ➢ Do training costs (if any) comply with applicable legislation and are they justified in the context of the project objectives? **Explanation:** Within the scope of this audit, according tested sample, the personnel-related costs declared by the State Shared Service Centre were found to be calculated in accordance with the Centre's approved internal methodology and linked appropriately to the activities financed from the Modernisation Fund. Personnel costs are determined based on workload distribution percentages established through the Director General's orders, which define the share of each employee's working time attributable to the implementation of the Modernisation Fund measures. These allocation keys are derived from previous time-measurement exercises and reflect the actual workload related to the funded activities. Relevant supporting documents — including employment contracts, job descriptions, organisational roles and the Director General's formal allocation decisions — were available and demonstrate the connection between the employees' duties and the implementation tasks financed from the Modernisation Fund. The proportional allocation of staff costs in the accounting system corresponds to these established percentages, and the calculations reviewed were accurate and properly documented. Personnel costs unrelated to the Modernisation Fund are not charged to the funding. Where indirect costs, such as participation in internal seminars or work-related events, were allocated to the Modernisation Fund, they were attributed only in the proportion corresponding to the employee's approved Modernisation Fund workload share. Travel expenses and daily allowances included in the audit sample were correctly defined under the Centre's internal rules, supported by travel orders, and linked to administrative tasks required for implementing the measures. Training costs included in the audit sample were appropriate, complied with applicable legislation and internal rules, and were relevant to the staff members' duties associated with the implementation of the Modernisation Fund. **Based on the verification performed within the scope of this audit, the methodology for personnel-cost calculation, the supporting documentation and the proportional allocation of working time were consistent, traceable and in line with the principles of eligibility and sound financial management.**	**YES**
➢ What methodology is used for determining other costs and linking them to the funding? ➢ Are "other costs" (including office supplies, software, administrative expenses, etc.) eligible and directly related to project implementation?	**YES**

<table>
<tr><td>

- Are the costs correctly identified and attributed to the project?
- Are the items listed on invoices not recorded as fixed assets, and is the accounting treatment consistent with the beneficiary's usual accounting practices?
- Do other costs comply with internal cost-handling rules and are they proportionate to the scope and objectives of the project?
- For procurements classified under "other costs," have procurement or purchasing procedures been followed (see section "Procurement and Purchasing")?

Explanation: Within the scope of this audit, no general overhead costs such as office supplies, software or other administrative consumables were included in the sample. The "other costs" reviewed consisted primarily of participation in institutional seminars or general staff training, which were allocated to the Modernisation Fund in proportion to the employee's approved workload percentage. Where costs were directly and exclusively related to Modernisation Fund implementation tasks, they were charged in full. The proportional allocations were consistent with the State Shared Service Centre's internal methodology for distributing costs across funding sources and were accurately calculated in the accounting system.
All reviewed costs were supported by appropriate documentation, correctly identified in the accounting records and linked to activities required for the administration and implementation of the Modernisation Fund measures. No cost items represented fixed assets, and their accounting treatment was consistent with the final recipient's usual accounting practices and internal cost-handling rules.
The costs reviewed were proportionate to the nature and scale of the Centre's administrative duties under the Modernisation Fund and aligned with the principles of economy and sound financial management. No procurement-related issues arose within the sample: the expenditures classified as "other costs" were either typical administrative items to which procurement rules do not apply (e.g., travel-related participation costs) or proportionally allocated shares of wider institutional expenses, all of which were below the national procurement threshold under §14 of the Public Procurement Act and therefore outside mandatory procurement procedures. **Based on the verification performed within the scope of this audit, the methodology for determining and allocating other costs was appropriate, the link to funded activities was adequately demonstrated and the costs were eligible, reasonable and properly attributed to the Modernisation Fund.**
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<tr><td>Document Retention</td><td rowspan="2">Conclusion (YES / NO / N/A)</td></tr>
<tr><td>Auditor verified:</td></tr>
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- 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.

Explanation: Within the scope of this audit, the State Shared Service Centre has retained all cost documentation, supporting records and related project information in a manner that ensures a clear, complete and traceable audit trail. All requested documents—including invoices, payment confirmations, contracts, payroll documents, travel orders and other supporting materials—were made available to the auditors, and the link between each cost item and the corresponding activity was fully traceable. The State Shared Service Centre stores and administers documentation through established systems:

- FitekIN – the e-invoicing environment used for processing and archiving electronic invoices; documentation retention requirements follow the technical specifications of procurements No 221169 and No 293704.
- Delta – the official document management system used for formal records.
</td><td>YES</td></tr>
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- RTIP – the State Employee Self-Service Portal for handling travel orders and expense reports.
- SharePoint – used for day-to-day working materials that do not have long-term retention value.

Document retention practices follow the requirements of the Accounting Act: accounting source documents must be retained for seven years from the end of the financial year in which they were recorded. For EU-funded projects, documentation is retained for up to 20 years, and as confirmed by the Centre's archivists, no documentation is destroyed without explicit confirmation from responsible staff. **Based on the verification performed within the scope of this audit, the documentation related to expenditures financed from the Modernisation Fund is properly retained, organised and auditable, ensuring full traceability and compliance with applicable retention requirements.**
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- 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)

Explanation: Within the scope of this audit, it has been ensured that the State Shared Service Centre retains all documents and data related to the Modernisation Fund support in accordance with Article 16(5) of Regulation (EU) 2020/1001, which requires the retention of project-related documentation for at least five years after the final payment of the project or measure. The State Shared Service Centre's document retention practices are also aligned with national legislation. According to § 9(3) of the Ministry of Finance's accounting internal rules, accounting source documents must be retained for seven years from the end of the financial year in which the document was recorded. In addition, § 9(2) specifies that documents related to EU funding must be grouped and retained for the period defined in the document retention schedule of the state accounting entity, which may exceed the general seven-year requirement when applicable.

Document handling and retention obligations are further established by the State Shared Service Centre's internal rules. The Director General's order of 20 November 2024 (No. 1-2/24/75) adopted the "Document Management Procedure," which sets out document management principles, and the order of 6 December 2024 (No. 1-2/24/82) established the Centre's "Classification Scheme," including specific document retention periods. In practice, archivists of the Centre do not destroy any documents unless explicit confirmation is received from the responsible staff member, ensuring compliance with both EU and national retention obligations.

Based on the verification performed within the scope of this audit, the State Shared Service Centre has the systems, procedures and internal controls in place to ensure that all documents related to Modernisation Fund–financed activities are retained in a complete, traceable and compliant manner for at least the minimum period required by EU legislation.
</td><td>YES</td></tr>
<tr><td>Communication and Visibility (Article 17)</td><td rowspan="2">Conclusion (YES / NO / N/A)</td></tr>
<tr><td>Auditor verified:</td></tr>
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- 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);
  - 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;
  - If information on the use of funding has been published in the final recipient's public communications (e.g., on its website, in annual
</td><td>YES</td></tr>
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reports, press releases, or other sources aimed at the general public), the presence of proper references to EU and Modernisation Fund co-financing is assessed, along with compliance of the visual identity with the EU and grant conditions guidelines, and the accuracy and timeliness of the information (e.g., funding amounts, purpose of the support, project period, etc.);

- If the final recipient has informed the public about receiving the support (e.g., when presenting projects and their results), it is assessed whether appropriate, coherent, effective, and proportionate information has been provided to different target groups, including the media and the general public.

Explanation: Within the scope of this audit, the State Shared Service Centre has complied with the relevant communication and visibility requirements applicable to its role in implementing the Modernisation Fund measures. The Centre's website (www.rtk.ee) contains publicly available information on the Modernisation Fund application rounds, guidance materials for applicants and summaries of supported measures such as:

1. Riik toetab KOV hoonete energiatõhusust ja liginullenergiahoonete ehitamist ligi 50 miljoni euroga | Riigi Tugiteenuste keskus
2. Kohaliku omavalitsuse hoonete energiatõhususe parandamine moderniseerimisfondist 2025 | Riigi Tugiteenuste keskus
3. Keskvalitsuse hoonete energiatõhususe parandamine moderniseerimisfondist | Riigi Tugiteenuste keskus
4. Kohaliku omavalitsuse hoonete energiatõhususe parandamine moderniseerimisfondist 2023 | Riigi Tugiteenuste keskus

This information enables applicants, project promoters, and other stakeholders to understand the objectives, requirements and implementation logic of the measures administered by the State Shared Service Centre. The Centre also conducts information days, publishes instructions for preparing applications and ensures, during project implementation, that beneficiaries comply with the visibility requirements set out in the applicable regulations.

The Centre's website does not currently include a dedicated sub-section expressly structured as a Modernisation Fund programme section. While such a section is not required, the auditor raised the idea for discussion to improve the accessibility of programme-related information. State Shared Service Centre explained that it does not consider it expedient to change the current website concept or to create fund-based sub-structures. Centre noted that the website is intentionally organised by thematic policy areas (e.g. regional development, public governance), as this aligns with how applicants typically search for information—based on their need or problem rather than the funding source. State Shared Service Centre emphasised that all information relevant to each specific call (conditions, guidance, application and processing information, results and contacts) is already consolidated on the call-specific page, as calls under the same measure may differ. Creating separate fund-based sections could lead to an inconsistent website structure and potential confusion for users. The auditor took note of State Shared Service Centre's rationale. No compliance issue was identified.

The visibility requirements applicable to project-level beneficiaries are monitored by the State Shared Service Centre during implementation and payment checks. As part of its supervisory role, the Centre verifies that beneficiaries apply the correct EU and Modernisation Fund visual identity and include the required visibility acknowledgements in their communication materials and public notices.

No requirement exists for the Centre to publish information on the use of Modernisation Fund support for its own administrative activities, and such disclosures are not standard practice for other funding instruments either. **Within the scope of this audit, the Centre has fulfilled its communication and visibility responsibilities in accordance with the requirements applicable to its role as an implementing body, and no issues were identified.**

➢ Is the information provided up to date and free from substantive inaccuracies or omissions that could affect the transparency of the support and public awareness of the funding source **Explanation:** Within the scope of this audit, no evidence was identified that the information published by the State Shared Service Centre in relation to the Modernisation Fund was outdated, inaccurate or incomplete. The information reviewed was consistent with the content of the applicable calls for proposals, guidance materials and public announcements published on the Centre's website, and did not contain omissions or inconsistencies that could adversely affect the transparency of the support or public awareness of its origin.	**YES**