

Annual Audit Report

Reporting Period: 21.02.23-30.06.24

Report Number: 1

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AUDIT OPINION

The following summary report presents the significant findings of the examination of Support Measures, systems and expenses of the Second Swiss Contribution by the Audit Authority.

The audit opinion to be provided annually by the Audit Authority for the Swiss Cooperation Programme is based on the conclusions drawn from the audit evidence obtained.

The report covers the three elements of the assurance:

- Accounts (audit opinion Annex 1)
- Legality & regularity of expenditure (separate audit opinion in Annex 2)
- Functioning of the management and control system (separate audit opinion in Annex 2)

Three types of opinions are foreseen:

- Unqualified opinion
- Qualified opinion (either with limited or significant impact)
- Adverse opinion

The following cover the Programme Components and Projects listed in Annex 3.

Findings on the accounts

No findings

Findings on legality & regularity of expenditure

No findings

Findings on functioning of the management and control system

No findings

Audit result

Unqualified opinion

1. INTRODUCTION

1.1 Identification of the responsible Audit Authority and other bodies that have been involved in preparing the report

The Annual Audit Report is prepared by the Audit Authority of the second Swiss Contribution between the Swiss Federal Council and the Government of the Republic of Estonia ("Swiss-Estonian Cooperation Facility")

Identification of the Audit Authority:

Ministry of Finance of the Republic of Estonia

Financial Control Department

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The Audit Authority has been solely responsible for the preparation of this report.

1.2 Reference period (i.e. the reporting period according to Regulations 9.3 (4))

The Annual Audit Report covers the period from 21.02.2023 till 30.06.2024.

1.3 Audit period (during which the audit work took place)

This is the first Annual Audit Report of the Swiss-Estonian Cooperation Facility and information contained herein covers the audit work period from the beginning date of 21.02.2023 until the submission of this report in 31.03.2025. Please note that the audit work carried out in this period covers only the costs and activities within the reference period (21.02.2023-30.06.2024).

All audit work that has been carried out is in accordance with internationally accepted audit standards (Global Internal Audit Standards and related materials issued by the Institute of Internal Auditors) and the work plan of the Financial Control Department.

1.4 Identification of the Cooperation Programme covered by the report and of its Managing and Paying authorities.

The Annual Audit Report covers the second Swiss Contribution to selected Member States of the European Union that was entered into between the Swiss Federal Council and the Government of the Republic of Estonia on the 21st of November 2022. The country-specific setup of the Swiss Contribution along with the Framework Agreement will be henceforth again be referred to as "Swiss-Estonian Cooperation Facility". The respective Managing Authority (the National Coordination Unit)

and Paying Authority of Swiss-Estonian Cooperation Facility are situated in the State Shared Service Centre of Estonia.

1.5 Description of the steps taken to prepare the report and to draw the audit opinion

The Managing Authority (the National Coordination Unit) has submitted one overall payment claim concerning the period (containing claim No. 1 for technical assistance, claim No. 1 for preparation fund presented by the Ministry of Climate and claim No. 1 for preparation fund presented by the Ministry of Culture). The Audit Authority has ensured correctness of the data by reconciling it against the expenditure in amounts included in audit population.

The Audit Authority has considered the results of audits of operations and the audit of accounts in the preparation of the Annual Audit Report and in the audit opinion. No system system audits have currently been carried out. The Audit Authority has also assessed that information provided by the Managing Authority (the National Coordination Unit) is not inconsistent with the audit results for the purpose of audit opinion.

2. SIGNIFICANT CHANGES IN MANAGEMENT AND CONTROL SYSTEMS

2.1 Details of any significant changes in the management and control systems related with Managing and Paying Authorities' responsibilities

The Description of the Management and Control Systems for the Swiss-Estonian Cooperation Facility has been drawn up. Currently, this has not been updated because the Managing Authority (the National Coordination Unit) is going through a few changes, including choosing a new Head of Authority.

The Audit Authority is aware of the process and has already planned the task of reviewing the Description of the Management and Control Systems once the new Head of Authority has been chosen, and the Description of the Management and Control Systems has been updated and approved. However, this process will not begin until the second half of the year 2025.

2.2 The dates from which these changes apply, as well as the impact of these changes to the audit work are to be indicated

The information regarding these points will be addressed in the next Annual Audit Report.

3. CHANGES TO THE AUDIT STRATEGY

3.1 Details of any changes to the audit strategy, and explanation of the reasons.

The Audit Authority has drawn up the audit strategy, and has updated it in March 2025 in line with the recommendations received during communications with the Swiss-Estonian Cooperation Facility.

3.2 Differentiation between the changes made or proposed at a late stage, which do not affect the work done during the reference period and the changes made during the reference period, that affect the audit work and results

The updates have no effect to the audit work or results.

4. SYSTEM AUDITS

4.1 Details of the bodies (including the Audit Authority) that have carried out audits on the proper functioning of the management and control system of the Programme

Only the Audit Authority carries out the system audits. No other body has been given the right to do so.

4.2 Description of the basis for the audits carried out, including a reference to the audit strategy applicable, more particularly to the risk assessment methodology and the results that led to establishing the audit plan for system audits

The system audits are carried out in accordance with the Audit Strategy, the annual risk assessment and the annual working plan of the Financial Control Department.

For the reporting covered in this Annual Audit Report, no system audits have yet been carried out. This has been agreed in communication with the Audit Authority and the Swiss-Estonian Cooperation Facility. The first system audit will be carried out in the year 2025.

4.3 Description of the main findings and conclusions drawn from system audits¹

There are no findings and conclusions, as no system audits have been carried out yet.

4.4 Indication of whether any problems identified were considered to be of a systemic character

There are no problems of systemic character.

4.5 Information on the follow-up of audit recommendations from system audits from previous accounting years

There are no previous recommendations to be followed up.

4.6 Level of assurance obtained following the system audits (low/average/high) and justification

As no system audits have been carried out, the Audit Authority currently gives no opinion on the management and control system based on that. However, based on the audit of expenditures carried out, the Audit Authority can state that since no findings have been detected from the audit, the management and control system can be assessed at least as **average**.

¹ If several system audits took place during the reporting period, it is possible to add a list as an annex at the end of the document, to facilitate the overview. As an example for the list, Chapter 10.1 of the Annex II of the EU regulations 2018/1291 can be used. This should be done in addition to the description of the main findings and conclusions under 4.3.

5. AUDITS OF EXPENDITURES

5.1 Indication of the bodies (including the Audit Authority) that carried out the audits of expenditures

Only the Audit Authority carries out the audits of expenditures. No other body has been given the right to do so.

5.2 Description of the sampling methodology² applied and information whether the methodology is in accordance with the audit strategy

When carrying out the audits of expenditures, the sampling methodology was applied in two ways, both of which were consistent with the audit strategy.

During the first audit of expenditures, all costs in total amounts of 89 977,50 euros were included in the population. Since there was only a small amount of costs, there was no need to treat projects or other components separately and all cost items were able to be included. This meant that 87 cost items were included. From them, a statistical sample was drawn using monetary unit sampling. The statistical sampling was chosen as the number of items in the population was sufficiently large.

This resulted in a sample of 30 cost items with a total amount of 61 511,74 euros (68,4% of the population total amount).

During an additional audit of expenditures, all additional costs in amounts of 56 462,25 euros were included in the population. Since there was only a small amount of costs, there was no need to treat projects or other components separately and all cost items were able to be included. This meant that in number, 41 additional cost items were included. From them, a non-statistical sample was drawn using the principles of including at least 10% of items and 15% of costs. The non-statistical sampling was chosen as the number of items in the population was sufficiently large.

This resulted in a sample of 5 cost items with a total amount of 11 388,45 euros (20,2% of the population total amount).

In together, the population of 146 439,75 euros was audited in two separate sub-populations, using two separate methods of sampling. Both methods were consistent with the principles of statistical and non-statistical sampling as well as with the audit strategy.

In total, 72 900,19 euros was audited, totaling 49,8% of the total amounts in the population.

5.3 Indication of the parameters used for statistical sampling and explanation of the underlying calculations and professional judgement applied

For the statistical sampling, monetary unit sampling (probability proportional to cost) was applied. The general principles in the methodology of the Financial Control Department were used: confidence level of 80%, expected error rate of 1,13% and materiality level of 2% from which then the respective sampling interval was calculated, given the population size of 89 977,50 euros and 87 cost items.

There was no information suggesting that different parameters should be used, and auditors saw no need to apply additional professional judgment.

² The Commission Delegated Regulation (EU) 2018/1291 as well as the European Commission's Guidance on sampling methods (EGESIF_16-0014-01) can be taken as references.

5.4 In case of the use of non-statistical sampling, indicate the reasons for using a different method and present the percentage of Projects/Programme Components/expenditure covered through audits, the steps taken to ensure randomness of the sample (and thus its representativity) and to ensure a sufficient size of the sample enabling the Audit Authority to draw up a valid audit opinion

For the non-statistical sampling, the general principles of including at least 10% of items and 15% of costs were applied and simple random sampling with equal probability was carried out on the population of 56 462,25 euros and 41 cost items.

There was no information suggesting that different parameters should be used, and auditors saw no need to apply additional professional judgment.

5.5 Analysis of the principal results of the audits of expenditures, describing the number of sample items audited, the respective amount and types of errors by Project/Programme Component, the nature of errors found, the stratum error rate and corresponding main deficiencies or irregularities, the upper limit of the error rate (where applicable), root causes, corrective measures proposed (including those intending to avoid these errors in subsequent payment applications) and the impact on the audit opinion

In together, the population of 146 439,75 euros was audited, containing 128 items. The number of items audited together was 35, with a total amount of 72 900,19 euros. No deficiencies or irregularities were detected.

5.6 Comparison of the total error rate and the residual total error rate with the set materiality level, to ascertain if the population is materially misstated and the impact on the audit opinion³

The total error rate and the residual error rate are both 0.

5.7 Information on the results of the audit of the complementary sample

There has been no need for a complementary sample, and none has been drawn by the Audit Authority.

5.8 Details of whether any problems identified were systemic in nature, and the measures taken, including a quantification of the irregular expenditure and any related financial corrections

There were no problems or irregularities identified and none that were systemic in nature. There has been no irregular expenditure and no financial corrections.

5.9 Information on the follow-up of audits of expenditures carried out in previous years, on deficiencies of systemic nature

³ The European Commission's "Guidance for Member States on the Annual Control Report and Audit Opinion to be reported by audit authorities and on the treatment of errors detected by audit authorities in view of establishing and reporting reliable total residual error rates" (EGESIF_15-0002-04) can be taken as a reference.

There has been no follow-up of audits of expenditures as none have been conducted previously.

5.10 Conclusions drawn from the overall results of the audits of expenditures regarding the effectiveness of the management and control system

There were no findings related to audits of expenditures. Therefore, it can be concluded that the management and control systems are working well, and the assurance from the audits of expenditures can be assessed as **high**.

6. AUDITS OF ACCOUNTS

6.1 Indication of the authorities/bodies that have carried out audits of accounts

Only the Audit Authority carries out the audits of accounts. No other body has been given the right to do so.

6.2 Description of audit approach used to verify the elements of the accounts

The Audit Authority has verified the elements of the accounts in full by carrying out the audits of expenditures that have included in its entirety the following costs.

1. The technical assistance (Project No Šveits.1.03.23-0007) in the amount of 79 576,57 euros.
2. The preparation fund for the Ministry of Social Affairs (Project No Šveits.1.03.23-0006) in the amount of 2 603,73 euros.
3. The preparation fund for the Ministry of the Interior (Project No Šveits.1.03.23-0005) in the amount of 6 514,90 euros.
4. The preparation fund for the Ministry of Education and Research (Project No Šveits.1.03.23-0004) in the amount of 11 987,71 euros.
5. The preparation fund for the Ministry of Climate (Project No Šveits.1.03.23-0003) in the amount of 14 952,61 euros.
6. The preparation fund for the Ministry of Culture (Project No Šveits.1.03.23-0002) in the amount of 30 804,23 euros.

This totals to 146 439,75 euros or the full population of the audits of expenditures.

This was in turn compared with the amounts declared by the Managing Authority (the National Coordination Unit).

The declared Reimbursement Request No. 1 (Technical Assistance Fund) from the State Shared Service Centre covers the amounts of 79 576,57 euros, which is in accordance with the technical assistance audited under point 1.

The declared Reimbursement Request No. 1 (Support Measure Preparation Fund) from the Ministry of Climate covers the amounts of 14 952,61 euros, which is in accordance with the preparation fund audited under point 5.

The declared Reimbursement Request No. 1 (Support Measure Preparation Fund) from the Ministry of Culture covers the amounts of 51 910,57 euros, which is in accordance with the preparation funds audited under points 2, 3, 4 and 6.

This totals to 146 439,75 euros, which is in accordance with the full population of the audits.

6.3 Indication of the conclusions drawn from the results of the audits regarding the completeness, accuracy and veracity of the accounts, including an indication on the financial corrections made and reflected in the accounts as a follow-up to the results of the system audits and/or audit of expenditures

There were no findings related to audit of accounts. Therefore, it can be concluded that the management and control systems are working well, and the assurance from the audit of accounts can

be assessed as **high**. There are no findings resulting from the audits of expenditures and thus no effect in that regard exists to the accounts. No financial corrections are made, and no follow-up is necessary.

7. COORDINATION BETWEEN AUDIT BODIES AND SUPERVISORY WORK OF THE AUDIT AUTHORITY

7.1 Description of the procedure for coordination between the Audit Authority and any audit body that carries out audits

No body other than the Audit Authority has carried out any audits.

7.2 Description of the procedure for supervision and quality review applied by the Audit Authority to such audit body(ies)

Whenever audit work may be outsourced by the Audit Authority, full quality control in accordance with the methodology will be carried out by the Audit Authority before accepting any final audit work from other bodies.

8. OTHER INFORMATION

- 8.1 Where applicable, information on reported fraud and suspicions of fraud detected in the context of the audits performed by the Audit Authority (including the cases reported by other bodies and related to Projects/Programme Components audited by the Audit Authority), together with the measures taken**

There has been no reported fraud or suspicions of fraud detected.

- 8.2 Where applicable, subsequent events occurred after the submission of the accounts to the Audit Authority and before the transmission of the Annual Audit Report and considered when establishing the level of assurance and opinion by the Audit Authority**

No subsequent events that occurred after the submission of the accounts are there to be considered.

9. OVERALL LEVEL OF ASSURANCE

9.1 Indication of the overall level of assurance on the proper functioning of the management and control system, and explanation of how such level was obtained from the combination of the results of the system audits and audits of Projects/Programme Components

The overall level of assurance is reflected in the audit opinion, which is **unqualified**.

Assurance on the accounts – the Audit Authority concludes that the accounts contain complete, accurate and truthful information.

Assurance on the effective functioning of the management and control systems – the Audit Authority concludes that although no system audits have been carried out, the results of the audits of expenditures carried out, the Audit Authority can state that since no findings have been detected from the audit, the management and control system can be assessed at least as **average**. Looking at the results of the audit of expenditures separately, since no findings have been detected from there, the assurance can even be assessed as **high**.

However, the Audit Authority is of the opinion that when no system audits have yet been carried out, an overall level of assurance cannot be given as high. Therefore, an overall level of assurance of **average** should be indicated for now.

9.2 Assessment of any mitigating actions implemented, such as financial corrections and assessment of the need for any additional corrective measures necessary, both from a system and financial perspective.

There are no mitigating actions necessary for now.

Annex 1 – Independent auditor’s report (accounts)

Independent auditor’s report on financial information

Opinion

We have audited the financial information for Projects and Programme components listed in Annex 3, which comprise the annual accounts for the year 2024 (21.02.2023-30.06.2024)

In our opinion, the accompanying financial information on the above-mentioned Projects and Programme Components for the year 2024 ended 30.06.2024 are prepared, in all material respects, in accordance with national law and jurisdiction of the Republic of Estonia as well as with the rules and requirements of Swiss-Estonian Cooperation Facility.

Basis for opinion

We conducted our audit in accordance with Global Internal Audit Standards issued by the Institute of Internal Auditors. Our responsibilities under those provisions and standards are further described in this report.

We are independent of the entity in accordance with the requirements of the Global Internal Audit Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the financial information. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Global Internal Audit Standards always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on this financial information.

As part of an audit in accordance with Global Internal Audit Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Signed electronically

Anu Alber, Head of the Audit Authority

31.03.2025

Financial Control Department, Ministry of Finance of Estonia

Tallinn, Estonia

Annex: Audited accounts (Annex 3)

Annex 2 – Audit opinion on the legality and regularity of expenditure and functioning of the management and control system

Independent auditor's report on financial information on the legality and regularity of expenditure and functioning of the management and control system

Opinion

We have audited the institutions, Projects and Programme Components listed in Annex 3.

In our opinion and based on the audit work performed:

- the expenditure in the accounts for which reimbursement has been requested is legal and regular,
- the management and control systems put in place function properly.

The examination of the institutions, Projects and Programme Components have been conducted in accordance with defined audit strategy and taking into consideration internationally accepted audit standards.

Signed electronically

Anu Alber, Head of the Audit Authority

31.03.2025

Financial Control Department, Ministry of Finance of Estonia

Tallinn, Estonia

Annex 3 – Overview of Projects and Programme Components

The following projects were audited by the Audit Authority.

1. The technical assistance (Project No Šveits.1.03.23-0007) in the amount of 79 576,57 euros.
2. The preparation fund for the Ministry of Social Affairs (Project No Šveits.1.03.23-0006) in the amount of 2 603,73 euros.
3. The preparation fund for the Ministry of the Interior (Project No Šveits.1.03.23-0005) in the amount of 6 514,90 euros.
4. The preparation fund for the Ministry of Education and Research (Project No Šveits.1.03.23-0004) in the amount of 11 987,71 euros.
5. The preparation fund for the Ministry of Climate (Project No Šveits.1.03.23-0003) in the amount of 14 952,61 euros.
6. The preparation fund for the Ministry of Culture (Project No Šveits.1.03.23-0002) in the amount of 30 804,23 euros.

This totals to 146 439,75 euros or the full population of the audits of expenditures.

The declared Reimbursement Request No. 1 (Technical Assistance Fund) from the State Shared Service Centre covers the amounts of 79 576,57 euros, which is in accordance with the technical assistance audited under point 1.

The declared Reimbursement Request No. 1 (Support Measure Preparation Fund) from the Ministry of Climate covers the amounts of 14 952,61 euros, which is in accordance with the preparation fund audited under point 5.

The declared Reimbursement Request No. 1 (Support Measure Preparation Fund) from the Ministry of Culture covers the amounts of 51 910,57 euros, which is in accordance with the preparation funds audited under points 2, 3, 4 and 6.

This totals to 146 439,75 euros, which is in accordance with the full population of the audits.