



**The use of the additional funding for bonuses
for home affairs officials directly involved in
curbing the spread of COVID-19**

Interim Report



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The use of the additional funding for bonuses for home affairs officials directly involved in curbing the spread of COVID-19

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Inspections carried out and an interim report drafted within the framework of the financial audit “On the accuracy of the 2020 annual report of the Ministry of the Interior” (Audit schedule No 2.4.1-12/2020 of the Second Audit Department of the State Audit Office of 8 May 2020) and following Sub-paragraph c), Paragraph 3, Section 3 of the State Audit Office Law.

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Why have we drafted this interim report?

Since International Standard on Auditing (ISA) 701, Communicating key audit matters in the independent auditor's report¹, the State Audit Office is required to assess the need to include key audit matters in the audit opinion on the financial statements.

For the purposes of those standards, key audit matters are matters that, in the auditor's professional judgment, are significant in the context of the audit of the financial statements of the reported period that one reports to the management of an audited entity and that have been the focus of the auditor's attention. There is no separate opinion on the key audit matters issued.

The information provided on key audit matters serves as additional information for potential users of the financial statements. It helps apprehend both matters that the auditor has identified as significant in the professional judgment and the audited entity and the areas where the management of the audited entity has made significant judgments while drafting the audited financial statements. This information may also serve as a basis for potential users to communicate further with the management of the audited entity about specific aspects of governance, audited financial statements, or audits performed.

The solidity and actual spending of the requests for additional funds allocated to address the consequences of COVID-19 are the key audit matter, which is crucial in all financial audits on the accuracy of the drafting of the annual consolidated financial statements for 2020 of the ministries and central governmental agencies.

In 2020, COVID-19 pandemic affected Latvia like the rest of the world. The Cabinet of Ministers adopted a decision² and the state of emergency continued until 9 June 2020. The extraordinary circumstances caused by COVID-19 affected the daily lives of the government, the public, and everyone both during and after the emergency. The new conditions required the ability to react and adapt quickly, as well as caused deviating from the usual order. Under the new conditions, the institutions should have been able to coordinate their activities more intensely and to co-operate with each other by avoiding legal formalism and the departmentalism to ensure the functioning of the state and the protection of each individual in emergency conditions.³

Overcoming the COVID-19 pandemic and dealing with its consequences have required significant funds from the state budget. Since the declaration of the state of emergency, the Cabinet of Ministers has made decisions in connection with overcoming the crisis caused by COVID-19 and eliminating its consequences on the allocation and reallocation of state budget funds for the implementation of basic functions for 902,450,127 EUR in total by 31 July 2020 and has examined proposals for reallocation of funds for the implementation of projects and measures co-financed by European Union policy instruments and other foreign financial assistance for 496,000,000 euros.⁴ The State Audit Office pays special attention to assessing the spending of state budget funds allocated for overcoming the COVID-19 pandemic, preventing, and mitigating its consequences.

The Cabinet of Ministers has allocated additional financial resources of 3,064,728 euros to the Ministry of the Interior for overcoming, mitigating, and preventing the consequences of COVID-

19 crisis between 12 March 2020 and 31 July 2020 including the allocation⁵ of funding not exceeding 2,590,703 euros on 16 April 2020 to provide bonuses to the officials of the Ministry of the Interior directly involved in curbing the spread of COVID-19 for working under high-risk and high-load conditions in a situation of public health threat related to the COVID-19 outbreak and mitigating its consequences from 12 March 2020 to 31 May 2020.

To provide information on the key audit matter raised in the financial audit “On the accuracy of the 2020 annual report of Ministry of the Interior”, that is, the solidity and actual spending of the requests for additional funds allocated to address the consequences of COVID-19, the State Audit Office performed an audit and drafted this interim report on the actual spending of the funding of 2,590,703 euros allocated for the bonuses to the officials of the Ministry of the Interior.

Summary

When assessing the use of additional funding from the State Budget Program “Contingency Funds” for officials of the institutions of the Ministry of the Interior who were directly involved in curbing the consequences of COVID-19, one cannot state that bonuses for all officials are calculated fairly according to the actual contribution.

Although the procedure for determining the amount of bonuses that the State Police and the State Border Guard used provided for a detailed record of the time worked when an official on duty was in direct contact with COVID-19 infected, potentially infected or at-risk individuals, the algorithm used for the calculation did not result in the amount of bonus determined in proportion to the time actually worked under specific conditions. The amount of bonuses was increased unreasonably for those officials who had worked a small number of hours compared to others in specific conditions. In contrast, the amount of bonuses was reduced for those who worked for an entire month or almost a month. One also detected the cases where an official had even received a tenfold amount of bonus for the same number of hours worked under specific conditions than another official with the same input.

Considering the detailed recording and complicated calculation procedure, the State Police and the State Border Guard paid the bonuses at least one month later than the rest of the monthly salary for the corresponding month. The minimum bonus determined was 7.28 euros, whereas the maximum bonus was up to 251.00 euros per month for an official who performed duties related to direct contact with COVID-19 infected, potentially infected or at-risk individuals. The average amount of the bonus per official in the agencies of the Ministry of the Interior did not exceed 103 euros per month.

The agencies of the Ministry of the Interior spent only 667,103 euros out of additional 2,590,703 euros available to the Ministry of the Interior in total. The Ministry of the Interior did not use the additional allocated funding to reimburse also those home affairs officials for working under specific conditions which worked in high-intensity and high-risk conditions although not in

direct and demonstrable contact with COVID-19 infected, potentially infected or at-risk individuals by continuing performing their duties in contact with the population and could not use the opportunity to work remotely to avoid the risk of infecting with COVID-19 as far as possible (e.g., order police officers).

During the emergency, officials from the Ministry of the Interior played an important role in limiting and controlling the spread of COVID-19 infection. During the emergency, the agencies of the Ministry of the Interior continued to perform both their direct functions and additional duties to curb the spread of COVID-19 infection.

The Cabinet of Ministers initially allocated⁶ 2,590,703 euros to the Ministry of the Interior for providing the officials of the Ministry of the Interior with special ranks who were directly involved in mitigating the consequences of COVID-19 from 12 March to 31 May with bonuses for working in high-risk and high-load conditions in the situation of jeopardised public health related to the COVID-19 outbreak and mitigating its effects. However, the institutions of the Ministry of the Interior spent⁷ 667,103 euros for this purpose. Significant differences between the planned and actually spent funding relate with the fact that both the number of officials for whom bonuses were set and the amount of bonuses set were lower.

On 9 April 2020, the Cabinet of Ministers decided⁸ that bonuses would be paid from the contingency when employees had been in direct and identifiable contact with COVID-19 infected or potentially infected individuals or involved in the testing process, as well as in direct and accountable contact with COVID-19 at-risk patients without confirmed disease but requiring quarantine or self-isolation (Criteria 1 and 2). In addition, the Cabinet of Ministers envisaged the possibility to determine bonuses for working under high-intensity and high-risk conditions when ensuring a special and significant contribution to the implementation of measures related to proactive action to curb the COVID-19 pandemic and mitigate its consequences (Criterion 3).

The Cabinet of Ministers did not determine the amount of the bonus but envisaged that Section 14.13 of the Law on Remuneration of Officials and Employees of State and Municipal Institutions should be respected stipulating that the total amount of bonuses could not exceed 60% of the monthly salary. The responsible ministers were authorised to decide on the use of the planned additional funding according to the actual need. At the same time, one determined that the Cabinet of Ministers should decide on granting bonuses for working under high-intensity and high-risk conditions (Criterion 3) based on the information provided by the designated ministry on the contribution of a particular employee.

The Minister of the Interior has stipulated⁹ that in cases where officials have been in direct and demonstrable contact with COVID-19 infected, potentially infected and at-risk individuals requiring quarantine or self-isolation, as well as officials involved in testing, one should determine the bonus of 20% of the monthly salary, but not less than 7% of the monthly salary. The Ministry of the Interior has not laid down any other uniform requirements for the procedure for determining bonuses. Each institution, the State Police and the State Border Guard determined the procedure for calculating the bonuses.

With regard to bonuses when employees have been in direct and accountable contact with COVID-19 infected or potentially infected individuals or were involved in the testing process,

the annotation to the draft Cabinet Order¹⁰ provided for specific measures, for which the officials of the State Police and the State Border Guard could receive the bonuses described above. So that one would grant the bonuses only for the mentioned measures, the State Police and the State Border Guard envisaged that each official should count the hours spent on specific measures accurately. They used complicated formulas to determine the amount of the bonus whose suitability for the specific purpose, that is, determination of the amount of the bonus in proportion to the time actually worked under specific conditions, was not tested sufficiently.

Considering the detailed recording and complicated calculation procedure, the State Police and the State Border Guard paid the bonuses at least one month later than the rest of the monthly salary for the corresponding month, i.e., until mid-June 2020 for March and April and at the beginning of July for May. In the State Police, the amount of bonus per official varied between 7.28 euros and 251.00 euros per month with an average of 102 euros per month. Similarly, in the State Border Guard, the actual amount of the bonus per official has been in the range from 7.70 euros to 210.40 euros per month, where the average bonus was 103 euros per month.

Based on the assessment, the auditors conclude that the determination of bonuses in the State Police and the State Border Guard does not ensure that officials receive the bonus in proportion to the time worked in direct contact with COVID-19 infected, potentially infected or at-risk individuals. The insufficiently tested choice of the algorithm for calculating the bonus has led to several inconsistencies which do not allow one to consider that officials have been fairly remunerated for equivalent work:

- (1) an additional 7% was added to the initial amount of the bonus calculated according to the criteria set by the State Police or the State Border Guard in all cases, and when the bonus exceeded 20%, it was reduced down to 20% of the monthly salary (allegedly to meet the limit set by the Minister that the bonus might not be less than 7% and not more than 20% of the monthly salary). As a result, the bonus was increased unreasonably for those officials who had worked a small number of hours compared to others in specific conditions. In contrast, the amount of bonuses was reduced for those who worked for an entire month or almost a month. For instance:
 - ❖ Two inspectors of the State Police received the bonus of 81.76 euros for May 2020, although one of them had performed the duties wherefore the bonus was determined only for one hour while the other one performed the duties for ten hours (that is, the first was calculated the bonus at 81.76 euros per hour whereas the second was calculated at 8.18 euros per hour);
 - ❖ In April 2020, two inspectors of the State Border Guard were determined a bonus of 20% of their monthly salary, that is, 187.80 euros each, although one of them was in contact with the COVID-19 infected, potentially infected and at-risk individuals for 182 hours while the other inspector spent almost twice as less time, that is, 96 hours;
- (2) One has not defined the way to calculate the bonus in cases where an official has not worked for a full month correctly, for example:
 - ❖ Two junior inspectors of the State Police performed duties related to direct contact with COVID-19 infected, potentially infected or at-risk individuals for 12

hours in April and both were determined a bonus of 9% of their monthly salary. However, one of the inspectors had worked a full month. His bonus of 9% was calculated from his entire monthly salary. In contrast, the other had worked only three working days in that month (as he had an annual leave for the rest of the month). His bonus was calculated from the monthly salary of three working days. The latter resulted in a bonus of 80.01 euros for one junior inspector for working 12 hours and only 12.00 euros for the other junior inspector.

The auditors find that using a similar procedure for calculating, for example, night work bonuses would have been a much better solution when the institutions of the Ministry of the Interior intended to calculate those bonuses in proportion to the precisely recorded working hours, which the officials had spent in direct contact with the COVID-19 infected, potentially infected and at-risk individuals, that is, to calculate a certain percentage of the bonus for the particular hours worked under specific conditions. Thus, one would ensure that the bonuses are calculated for all officials fairly and pursuant to the input, they made.

The Ministry of the Interior did not use the opportunity to reimburse also those home affairs officials for working under specific conditions which worked in high-intensity and high-risk conditions although not in direct and demonstrable contact with COVID-19 infected, potentially infected or at-risk individuals by continuing performing their duties in contact with the population (e.g., order police officers) and could not use the opportunity to work remotely to avoid the risk of infecting with COVID-19 as far as possible like the employees of many other public authorities. The Cabinet of Ministers had envisaged¹¹ granting bonuses for working in high-intensity and high-risk conditions (Criterion 3) by stipulating that in such cases the Cabinet of Ministers should decide based on the information provided by the responsible ministry on the input of a particular employee. It is possible that the Ministry of the Interior, having assessed the situation, was able to submit an appropriate proposal to the Cabinet of Ministers for consideration, taking into account, among other things, the significant surplus of the initially allocated funding.

Recommendations and proposals of the State Audit Office

The State Audit Office recommended the Ministry of the Interior to ensure that officials received fair remuneration for their contribution in proportion to the time worked in direct contact with COVID-19 infected, potentially infected or at-risk individuals.

The Ministry of the Interior has undertaken to recalculate the bonuses by 1 December 2020 by safeguarding that the bonuses are granted per the individual contribution of each official of the State Police and the State Border Guard as far as possible. The auditors have calculated that several hundred officials will receive an additional payment to the amount already paid.

References

- ¹ The International Organisation of Supreme Audit Institutions (INTOSAI) also uses International Standards on Auditing for the financial audits; hence the latter are binding on the State Audit Office, which conducts audits in accordance with international standards on public sector auditing.
- ² Cabinet Order No 103 “On Declaring a State of Emergency” of 12 March 2020 (valid until 9 June 2020).
- ³ Communication of the President of Latvia No 8 “Basic Principles of Activities of State Constitutional Bodies in an Emergency Situation” of 23 March 2020.
- ⁴ Informative report of the Ministry of Finance on reallocation of the financing from the EU Structural Funds and the Cohesion Fund and solutions for mitigating the consequences of COVID-19, reviewed by the Cabinet Meeting on 19 May 2020.
- ⁵ Cabinet Order No 181 “On the Allocation of Funding from the State Budget Program “Contingency Funds”” of 16 April 2020 (wording of the Order valid until 12 August 2020).
- ⁶ Cabinet Order No 181 “On the Allocation of Funding from the State Budget Program “Contingency Funds”” of 16 April 2020 (wording of the Order valid until 12 August 2020).
- ⁷ According to Cabinet Order No 423 dated 13 August 2020 amending Cabinet Order No 181 “On the Allocation of Funding from the State Budget Program “Contingency Funds”” of 16 April 2020 (valid until 9 June 2020).
- ⁸ 13 §, Minutes No 23 of the extraordinary Cabinet Meeting of 9 April 2020 (available at <http://tap.mk.gov.lv/mk/mksedes/saraksts/protokols/?protokols=2020-04-09>, viewed on 12 May 2020).
- ⁹ Order No 1-12/486 of the Ministry of the Interior “On Determination of Bonus for Working in High-risk and High-intensity Conditions” of 24 April 2020.
- ¹⁰ Preliminary Impact Assessment Report of the Draft Cabinet Order “On the Allocation of Funding from the State Budget Program “Contingency Funds”” (annotation) (TA-532, reviewed at the Cabinet of Ministers on 16 April 2020, available at <http://tap.mk.gov.lv/lv/mk/tap/?pid=40485704>).
- ¹¹ 13 §, Minutes No 23 of the extraordinary Cabinet Meeting of 9 April 2020 (available at <http://tap.mk.gov.lv/mk/mksedes/saraksts/protokols/?protokols=2020-04-09>, viewed on 12 May 2020).