



**Annual Report  
of the State Audit Office  
of the Republic of Latvia  
2011**

# LIST OF CONTENTS

<b>Foreword by the Auditor General</b>	<b>3</b>
<b>1. Mission, Vision and Values of the State Audit Office</b>	<b>4</b>
<b>2. Background Information on the Activities of the State Audit Office</b>	<b>4</b>
2.1. Fundamental Operational principles	4
2.2. Organisational Structure	4
2.3. Organisation of Activities	5
2.4. Types of Audits	8
2.5. Resources	8
<b>3. Audit Results</b>	<b>9</b>
3.1. Audits Completed and Recommendations Provided to the Audited Entities	9
3.2. Implementation of Audit Recommendations	14
3.3. Cooperation with Law Enforcement Institutions	14
<b>4. International cooperation</b>	<b>15</b>
4.1. Involvement in the Work of International Supreme Audit Institutions	15
4.2. Bilateral Cooperation with the Supreme Audit Institutions of Other Countries	16
<b>5. Communication</b>	<b>17</b>
5.1. Public Information and Performance Assessment of the State Audit Office	17
5.2. Cooperation with the Saeima (Parliament of the Republic of Latvia)	17
<b>6. Work Priorities in 2012</b>	<b>18</b>
Annex. Audits and Compliance Reviews Performed at the State Audit Office in 2011	20



*Dear readers,*

*Looking back and reflecting upon the past year, it must be recognized that the Latvian people have had to live through the times of significant developments – changes in the supreme political arena, reports on the country's returning to the economical growth stage, convulsions in the banking sector, an audit of people – the population census – those are just a few.*

*For the State Audit Office, acting for public benefit, this has been a demanding year, too, in terms of professional effort and ability to make the best use of the energy and knowledge so that its performance would contribute to the development of the country and prosperity of the people.*

*However successful performance of an institution requires effective teamwork and solidity. The State Audit Office is truly proud of having built it: each member of the team and all together we act in harmony, united, with a sense of responsibility towards the work to be done in pursuit of a common goal.*

*I would like to express my sincere gratitude to every employee of the State Audit Office for dedicated and selfless work in discharging their duties responsibly and following the mission of the State Audit Office, and I wish strength, confidence and hope for the future!*

*Inguna Sudraba*

*Auditor General*

# 1. Mission, Vision and Values of the State Audit Office

**Mission** – to promote an effective and lawful use of public resources, development of financial management and responsibility for funds utilized an honest and transparent decision-making process in the public sector.

**Vision** – help government institutions to manage and utilize resources wisely.

**Values** – responsibility, transparency and development.

# 2. Background Information on the Operation of the State Audit Office

## 2.1. Fundamental Operational Principles

The State Audit Office is an independent collegial supreme audit institution in the Republic of Latvia and is subject only to the law. Its independence is prescribed by Section 87 of the Constitution of the Republic of Latvia and the State Audit Office Law.

Under the State Audit Office Law the State Audit Office is independent in determining which entities should be audited, timing, nature and purpose of the audits.

When selecting the audit areas, the State Audit Office performs a strategic assessment of the areas to be audited having regard to international guidelines, international standards and the best practice in respect of the independence of supreme audit institutions. This ensures an objective assessment of the risks and audit impact in the respective area as well as selection of such audit areas that are of public interest.

## 2.2. Organisational Structure

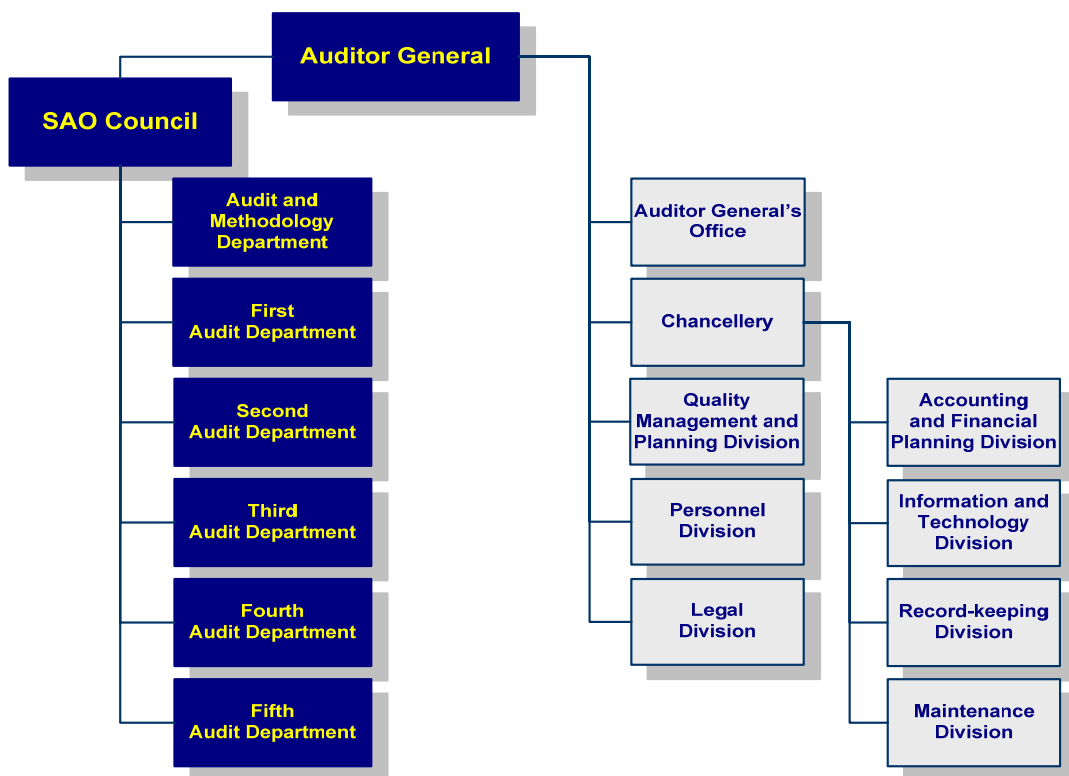


Figure 1. Organisational Structure of the State Audit Office

The State Audit Office consists of the Auditor General, the Council of the State Audit Office, audit departments and support structural divisions.

The Auditor General is appointed to the office by the Parliament of the Republic of Latvia for a period of four years. The Council members are appointed upon the recommendation of the Auditor General for a period of four years.

The audit work is organised on sectoral principle, the audit departments are responsible for concrete audit areas.

### 2.3. Organisation of Activities

The development course, objectives and expected outcomes of the activities of the State Audit Office are set in the Operational Strategy of the State Audit Office for 2010 – 2013 approved in 2009 (hereinafter referred to as “the Strategy”) which provides for two principal directions of activities:

- Improvement of the public sector management;
- Ensuring sustainability of the development of the State Audit Office.



**Figure 2. Directions of Activity of the State Audit Office**

The Strategy lays the basis for the work and resource planning of the State Audit Office for the current year, ensures the achieving of the performance objectives set by the State Audit Office and following united principles in achieving these objectives.

The annual work plan of the State Audit Office contains complete information about the required resources to achieve each of the outcomes and enables the assessment of the contribution of each structural unit in achieving the objectives of the State Audit Office.



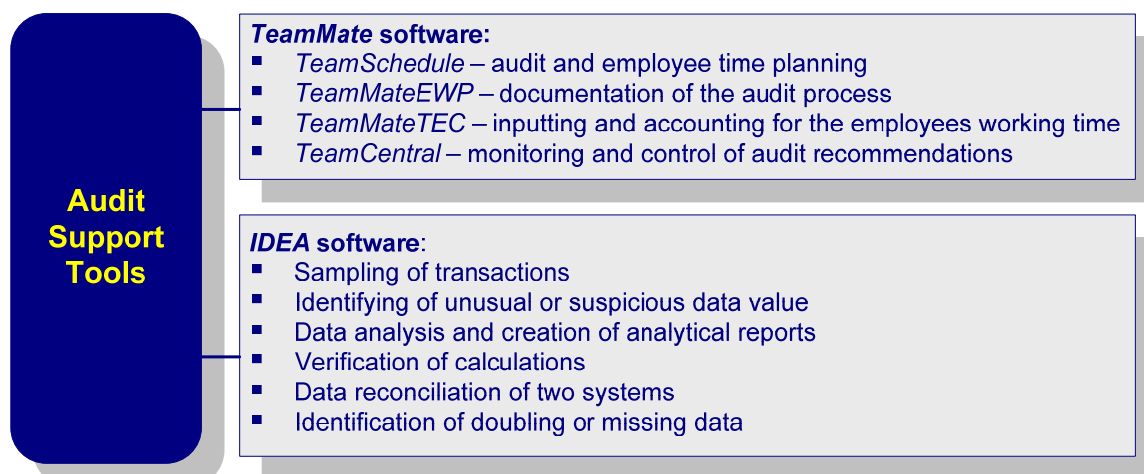
**Figure 3. Work Planning at the State Audit Office**

The State Audit Office performs audits in accordance with the international audit standards recognised in the Republic of Latvia:

- INTOSAI (*International Organization of Supreme Audit Institutions*), under which any supreme audit institution is entitled to decide on the materiality and an audit assurance level;
- IFAC (*International Federation of Accountants*), the standards of the International Federation of Accountants.

The audit methodology applied by the State Audit Office ensures a standard approach and conformity to the international audit standards in the audit work as well as sets the key audit performance principles and control procedures.

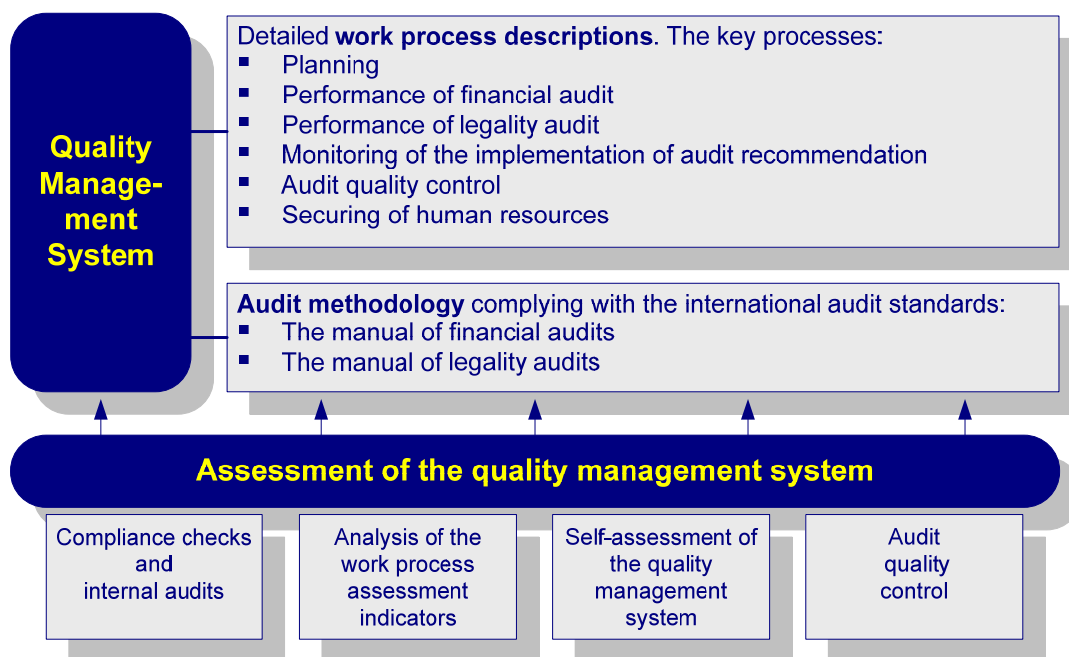
Over the last years the audit work methods have been significantly improved through implementation of new audit support tools aimed at facilitating audit documentation process, monitoring of audit recommendations, work time planning as well as enabling a more effective analysis and use of the data collected during the audits of public institutions.



**Figure 4. Audit Support Tools**

The State Audit Office has implemented a quality management system which ensures the control over the SAO activity and contributes to a unified approach in the execution of functions and tasks, enables a constant monitoring of the quality of audit performance and improvement of the work of the State Audit Office.

To ensure high quality work process, stable performance of the State Audit Office and to promote greater effectiveness and suitability to the needs of the State Audit Office, the performance of the established quality management system is analysed, and the activities undertaken by the State Audit Office are subject to constant assessment and review.



**Figure 5. Quality Management System at the State Audit Office**

Continuous quality control of the audits is essential for the improvement of the quality of audit work.



**Figure 6. Audit Process Quality Management**

Within the scope of quality control of closed audits the application of the assurance model (the decision tree model) used for setting of the audit approach in four financial audits was reviewed. As a result the audit methodology has been improved through improving the presentation of the information in audit reports and the process of the audit theme selection.

As part of quality improvement activities the employees in charge of the audit methodology, lawyers and the redactor provide advice the auditors during the audit process thereby ensuring that audit reports and opinions provide true and clear information which is comparable, can be interpreted similarly and complies with the audit methodology of the State Audit Office.

## 2.4. Types of Audits

In financial and legality audits carried out in accordance with the international auditing standards recognised in the Republic of Latvia, the State Audit office ascertains if state and municipal financial resources and property have been used in a lawful, appropriate, economic and effective way as well as provides recommendations for eliminating the deficiencies identified.



Figure 7. Types of Audits

## 2.5. Resources

Table

The budget for the State Audit Office (in lats)

	Items	Budgeted for 2011	Actual in 2011	Budgeted for 2012
<b>1.</b>	<b>Resources for covering of expenses</b>	<b>2 664 595</b>	<b>2 652 971</b>	<b>2 642 381</b>
1.1.	Subsidy from general revenues	2 642 381	2 642 381	2 642 381
1.2.	Other own revenues	22 214	10 590	0
<b>2.</b>	<b>Expenses</b>	<b>2 687 637</b>	<b>2 390 268</b>	<b>2 642 381</b>
2.1.	Maintenance expenses	2 616 327	2 330 583	2 624 381
2.1.1.	Remuneration	1 579 276	1 377 575	1 553 187
2.2.	Formation of equity capital	71 310	59 685	18 000
2.2.1.	Fixed assets	71 310	59 685	18 000

At the end of 2011 the number of employees was 155, thereof 127 or 82% employees – the audit staff, and 28 employees or 18% of the total employees – the support staff.



### 3. Audit results

#### 3.1. Audits completed and recommendations provided to the audited entities

The scope of the work of the State Audit Office work in 2011 is featured by completed audits, audit reports and opinions drawn up and recommendations provided during the audit.

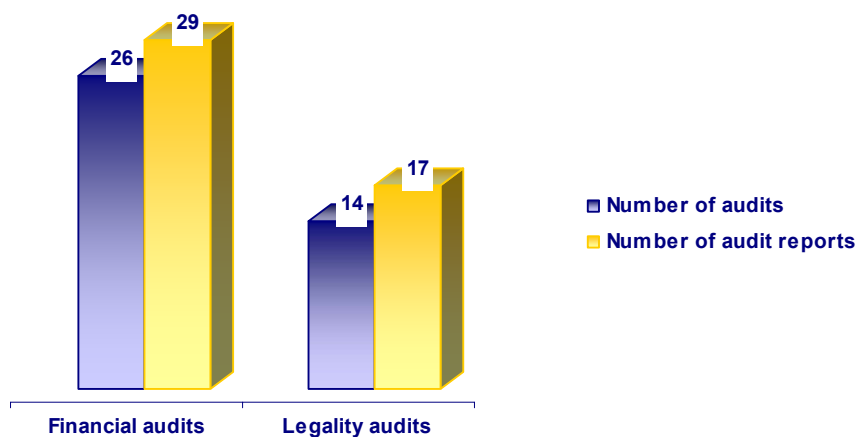


Figure 8. The number of audits completed and audit reports prepared in 2011

The number of audit reports prepared by the State Audit Office exceeds the number of audits completed, because in some cases several audit reports have been provided within the scope of a particular audit.

#### Financial audits

During the reporting year opinions on annual reports of 24 ministries and other central government institutions were issued.

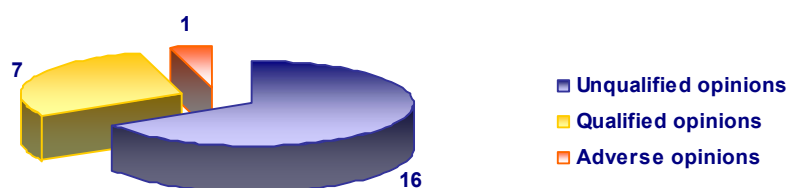


Figure 9. Opinions on the 2010 Financial Statements (number)

16 ministries and central government institutions received unqualified opinions. Four of the opinions, i.e. issued to the Ministry of Welfare, the Ministry of Agriculture, the Supreme Court and the Ombudsman's Office contained an emphasis on significant issues underlining that by making advance payments which were neither justified nor provided for in the contract, the institutions had used funds unlawfully and uneconomically.

The State Audit Office issued qualified opinions to seven public institutions – the Ministry of Defence, the Ministry of Interior, the Ministry of Education and Science, the Ministry of Culture, the Ministry of Transport and the Ministry of Justice and the Central Land Commission; four opinions issued to the ministries included an emphasis on significant issues in respect of unjustified advance payments, unfair presentation of the value of immovable property and insufficient control procedures over the allocation of the European Union funds.

An adverse opinion was issued to the Ministry of Health with as no assurance had been gained on the completeness, existence and valuation of several assets and liabilities items of the report as well as incompliance was identified in respect of the calculation of employment compensation and completeness of disbursements, conformity and legitimacy of their amounts.

Implementation of the recommendations provided by the State Audit Office aimed at eliminating the errors and irregularities identified in the annual reports of ministries and other central government institutions would result in a transparent and more effective planning and utilization of the public funds, disclosure of true and complete information in the annual reports and improvement of the internal control system.

Upon completing the financial audits of the annual reports of ministries and other central government institutions the State Audit Office issued a qualified opinion **on the 2010 annual report of the Republic of Latvia** concerning central and local government budget execution.

In its opinion on the 2010 annual report of the Republic of Latvia the State Audit Office points out that the report in all material aspects was in accordance to the financial statements it has been derived from, but also makes a remark on the discrepancies identified in the report, e.g. the tax revenues have not be presented under the accruals principle in the report as a result of which the State Audit Office was not able to issue an opinion on the completeness of the revenues collected from taxes and duties. Conversely, in terms of liabilities, the amounts owed by the Riga City Municipality of 269.2 million lats to *Deutsche Bank AG* in respect of the financing of the construction of the Southern bridge have been reported as long-term accounts payable which does not meet the economic substance of the transaction.

As concerns this particular audit, the State Audit Office has pointed out to essential deficiencies in the financial management of public funds in general, emphasising that the public budgeting policy had been implemented without regard to the State development policy as a result of which a targeted management of public resources had not been ensured. The government has not defined the expected outcomes and the associated required funding, therefore it is not possible to assess if the financial resources used provide the achievement of the government and sectors objectives.

As a result of such policy, having used the opportunity to increase the allocation for the foreseeable events and obligations undertaken, in 2010 the expenses exceeded the revenues by 388 million lats or by 74% than projected in the Law on the State Budget. At the end of 2010, unjustified advance payments of 140 million lats were made to the European Union Funds projects implementation bodies; at 30 June 2011 the recipients of the funding had not used 84% of all advance payments received within the last quarter. The government budget deficit increased due to payments which in accordance to the concluded agreements could have been made over the coming periods: at least 11.8 million lats were used for covering the liabilities falling due in 2011-2013.

The State Audit Office provided recommendations to:

- ensure connection between the government budget planning and execution process with objectives set in the policy planning documents and expected outcomes;
- ensure the accounting for the budget revenues under the accruals principle as required by the International Public Sector Accounting Standards;
- develop central and local government asset management policy, define the purpose of financial investments by central and local governments and the expected outcome of the performance and assess the return on investments of central and local governments.

## Legality audits

- The audit **of the pricing of medical services** involved an assessment of the lawfulness and cost-effectiveness of the use of the public funds in calculating the prices of health care services, entering into agreements with the providers of medical services and setting the scope of the agreements. It was found during the audit that the prices set for health care services were not based on the actual costs to provide the services and there was a significant difference among the cost base among hospitals.

Implementation of the recommendations provided during the audit will ensure a justified pricing of health care services and assignation of the finances required for the agreements related to the rendering of inpatient health care services accordingly to the number of hospitalizations in the previous period.

- The audit **of the efficiency of the operation of health care and other social guarantee system for soldiers in the defence sector** involved an assessment of whether the policy of soldiers' social guarantees was transparent and the allocated funds had been used in a cost-effective and efficient way. It was found during the audit that the health care provided by the National Armed Forces did not conform to the regulatory enactments and inefficient use of the State budget funds had occurred.

Through implementing the audit recommendations, the Ministry of Defence will be able to introduce the most appropriate peace time health care model for the personnel of the National Armed Forces and prevent unjustified covering of health care expenses as well as improve the control of pharmaceuticals circulation to ensure that unnecessary reserves of medicines are not carried.

- The audit of **the operational efficiency of the health care system in the interior sector** involved an assessment of the transparency of the established system and its conformity to the objectives of the sector policies, as well as efficiency of the use of the public funds. It was found during the audit that the established system for the evaluation of the health condition and physical qualification of the officers did not ensure the attainment of the objectives set in the regulatory enactments and that there were officers in the service whose health condition and physical qualification did not conform to the requirements of the regulatory enactments..

Through implementation of the State Audit Office recommendations it will be ensured that only the officers whose health condition and physical qualification conform to the requirements are in military service, and the payment of patient contributions, co-financing and rehabilitation services will be based on unified principles.

- The audit of **the efficiency of educational system implemented in the defence sector** involved an assessment of whether the military training policy ensures transparency and legitimate obtaining of military education and whether the State budget funds allocated for the personnel training had been used economically and efficiently. It was found during the audit that the Ministry of Defence had not ensured a transparent and adequate development of the military training system and uneconomical and ineffective use of public funds had occurred.

Through implementation of the State Audit Office recommendations, the Ministry of Defence will evaluate the future operation and rational use of the Latvian National Defence Academy, establish a system for monitoring of the resources used for the implementation of the military education and recovering of the public funds which have been used without justified basis as well as terminate the commercial activity of the Training, Sport and Recreational Center of the National Armed Forces because it is not used for the needs of the National Armed Forces.

- The audit of **the efficiency of the educational system implemented in the interior sector** involved an assessment of the transparency of the system and its conformity to the objectives of the sector policy as well as controls of whether the use of the State budget funds had been economical and effective. It was found in the audit that the Ministry of Interior had not ensured the development of a unified professional training system for the officers of particular rank and the allocated financial resources was not related with the programmes implemented in the colleges of the interior system and with the number of students.

Implementation the State Audit Office recommendations will link the amount of the allocated funds of the colleges within the system with effectiveness indicators, recoverability of the funds used for the training of the officers of the interior system in cases when the officers are excluded from the educational establishment or retire from the service. The ministry will also be able to evaluate the possibility of transferring the movable property and material values which have not been used for a long time to other institutions of the interior system.

- The audit of **the governance and operational effectiveness of the public capital companies in the field of motorway maintenance and management** involved an assessment of the lawful and effective planning and utilization of the State budget funds for daily maintenance of motor ways. It was found in the audit that the Ministry of Transport had not ensured competition among the service providers engaged in the daily maintenance of the state motor ways, which had precluded savings of motor way maintenance costs.

Through implementation of the State Audit Office recommendations, the Ministry of Transport will ensure competition in the motor way maintenance market, lower fees for motor way maintenance services; will set measurable effectiveness indicators for the SJSC "Latvijas Valsts ceļi", ensure the implementation of the cost accounting system to gain assurance on the lawfulness of the costs included in the tariffs of the services for the daily maintenance of the state motor ways. The JSC "Latvijas autoceļu uzturētājs" will optimise its vehicle fleet and assess the workload of its staff with the aim to reduce the service costs as well as will implement additional control measures to minimise low-quality performance.

- The audit of **social protection of the military pensioners of the Russian Federation and their family members residing in the territory of the Republic of Latvia; and the status of the Latvian gravesites in the Russian Federation and the status of the Russian gravesites on the territory of the Republic of Latvia** involved an assessment of whether the competent institutions of the Republic of Latvia (hereinafter: "the LR") and the Russian Federation (hereinafter: "the RF") have discharged their respective obligations contracted in the agreements between the countries.

During the audit deficiencies were found in the cooperation between the competent institutions and information exchange concerning the military pensioners of the RF. Those deficiencies create the risk that the persons already receiving the military pension from the RF, may receive LR municipal social services, too, and that the LR pensions may be granted for the insurance (employment) periods in respect of which the said persons already receive military pensions from the RF. It was found that current procedure for the calculation of the health care costs for the RF military pensioners was outdated and was not depend on actually provided services but on the State budget funds prescribed for the health care costs per Latvian resident.

Through implementation of the State Audit Office recommendations, the agreement on the changes in the payment procedure for the health care services provided to the military pensioners will be reached as well as access to the information on the RF military pensioners residing in the Republic of Latvia will be

provided, thereby eliminating an unjustified provision of social services to the persons and preventing the granting of the LR pensions for the periods in respect of which the person receives a military pension from the RF sources.

- The audit of **the efficiency of the management of the public immovable property in the agricultural sector** involved an assessment of lawfulness and efficiency of the use of the state immovable property held by the Ministry of Agriculture and the institutions subordinated to it in possession. It was found during the audit that the Ministry and the institutions subordinated to it had not ensured an effective management and maintenance of the immovable property held in their possession.

Through implementation of the State Audit Office recommendations the management of the immovable property will be improved, including an assessment of the efficiency and effectiveness of the management model of the immovable property held in possession by the Ministry of Agriculture and the institutions subordinated to it; the subordinated institutions will be required to adhere unified immovable property management procedure, the criteria for the evaluation of the technical condition of the immovable property will be defined, and the subordinated institutions will reassess the applied rent rates to ensure that they conform to the regulatory enactments, market conditions and fully cover the expenses related to the maintenance of the immovable property.

- The audit **on the effectiveness of the greenhouse gas emission quota allocation and ensuring control over their use** involved an assessment of the efficiency of the greenhouse gas (hereinafter: “the GHG”) quota trading system in Latvia. It was found during the audit that the GHG emission quota trading system implemented by the State did not promote a targeted reduction of gas emissions.

Through implementation of the State Audit Office recommendations the Ministry of Environment Protection and Regional Development will develop the policy planning documents to ensure that the GHG emission quota trading system promotes reduction of gas emissions, will define measurable indicators characterizing the progress of achieved targets and ensure an economically justified inclusion of the GHG emission quota purchase costs in the heating energy and cogeneration tariffs.

- The audit of **the implementation of the concept on deployment of the structural units of the head office of the State Revenue Service in single work premises** involved an assessment of the lawfulness and usefulness of the activities of the Ministry of Finance related to the deployment of the structural units of the head office of the State Revenue Service in single work premises. It was found in the audit that the Ministry of Finance, the SJSC “Valsts nekustamie īpašumi” and the State Revenue Service had not resolved the matters concerning the administrative premises for the State Revenue Service in the most cost-effective way.

During the audit the State Audit Office recommended that the Ministry of Finance and the JSC “Valsts nekustamie īpašumi” should review the provisions based on which the calculations for the rent fee had been made to ensure that the construction costs are as low and cost-effective as possible and so are the rental fees.

- The audit of **the effectiveness of the performance of the State Chancellery while implementing the EU Fund projects and executing the functions of an intermediary institution** involved an assessment of the lawfulness and efficiency of the performance of the State Chancellery while implementing the EU Fund projects for the 2007-2013 planning period. It was found in the audit that the

EU Fund activities to promote the efficiency of the public administration work took place with a view of acquiring the funding rather than reaching particular results.

Through implementing the recommendations of the State Audit Office, the State Chancellery will ensure the development of a unified human resource management policy, and define measurable indicators for monitoring the activities.

- The audit **of the management efficiency and performance of the public capital companies in the Ventspils Free Port Authority** involved an assessment of the management efficiency and compliance with the regulatory enactments. It was found in the audit that the supervision over the activity of the Ventspils Free Port Authority was not effective and did not conform to the regulatory enactments.

Through implementing the recommendations of the State Audit Office, the method for supervising the Ventspils Free Port Authority will be defined and the direct supervising institution or an official entitled to verify the lawfulness of the decisions taken by the authority will be nominated, the Ventspils City Council will ensure the implementation of a unified employment compensation system for all employees of the free port, as well as ensure public access to the information on the land plots available for lease and control over concluded contracts.

- The audit of **the lawfulness and effectiveness of the financial resources assignment to non-governmental organisations** involved an assessment of the use of the funds for the purpose of supporting the activities and development of such organisations, as well as their operational efficiency. It was found in the audit that the development of a unified society integration policy had not been ensured and the objectives to be reached in terms of integration had not been defined.

Through implementing the recommendations of the State Audit Office, a unified society integration policy planning document will be developed defining the objectives to be reached and the key guidelines for their implementation, the national programme "The Livs in Latvia; 2008 -2012" and the "Civil society strengthening programme for 2008-2012" will be updated through revising the objectives to be reached under these programmes and defining the activities required to implement the objectives.

### **3.2. Implementation of audit recommendations**

485 recommendations to the audited entities were issued in 2011 for implementation. Of these 436 or 90% of the recommendations had been implemented, 39 or 8% of the recommendations were being implemented and 10 or 2% of the recommendations were not implemented. Upon implementation of the recommendations improvements resulted in different areas of activity of the audited entities.

48% of the implemented recommendations have contributed to the improvement of the accounting systems of the audited entities, 27% have resulted in the amendments to the regulatory enactments, 13% have promoted the achievement of the policy objectives, 8% have ensured the improvements of the information technology environment and service quality, 4% have resulted in the improvements of the human resource management processes and compliance with the public procurement procedures.

### **3.3. Cooperation with law enforcement institutions**

Regarding the State Audit Office audit documents that were forwarded to the law enforcement institutions during the period from 30 May 2006 until 30 December 2011, 93 different controls were initiated. In 13 cases the officials were called to justice (administrative), in 14 cases the facts identified by the State Audit Office had been confirmed however the persons were not called to justice due to expiry of the period of limitation, 47

criminal proceedings were initiated, of these the criminal proceedings were completed in one case with the official convicted and fined monetary penalty, in six cases the documents of the State Audit Office audits were added to the criminal proceedings initiated at an earlier date, 18 criminal proceedings were in the investigation phase.

## 4. International cooperation

### 4.1. Involvement in the work of the international supreme audit institutions

During the reporting year through joining the activities organised by INTOSAI and EUROSAI, the State Audit Office has contributed to the achievement of the objectives of the said international supreme audit institutions as well as gained and shared experience with the supreme audit institutions of other countries.

The auditors of the State Audit Office have taken part in the work groups of INTOSAI and EUROSAI.

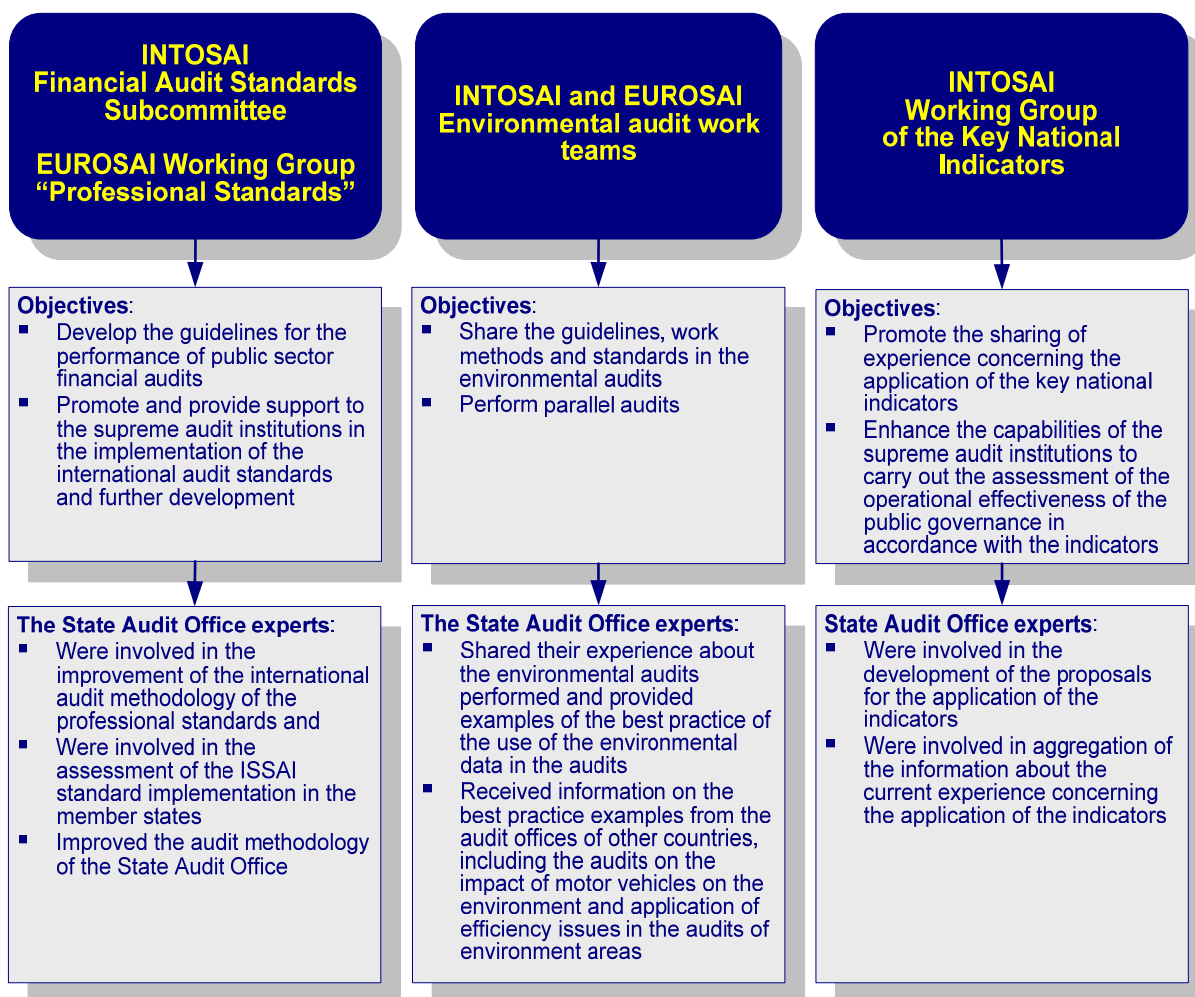


Figure 10. Involvement in the Working Groups of INTOSAI and EUROSAI

Auditors of the State Audit Office have been involved in the work of the Working Groups newly established by the EU Contact Committee – for the identification of the public sector audit insufficiency/inadequacy and for the potential cooperation between EUROSTAT and the national statistics institutions, as well as performing the activity of the Contact Committee "Sharing the experience regarding the audits on the governance issues at the capital companies owned by the central and local governments", through carrying out surveys and notifying the supreme audit institutions of other countries about the results achieved.

## 4.2. Bilateral Cooperation with the Supreme Audit Institutions of Other Countries

In 2011 the State Audit Office completed bilateral cooperation projects with the Audit Chamber of the Republic of Kirgizstan and the State Audit Office of Georgia during which the State Audit Office provided assistance for improving the performance of the two institutions.

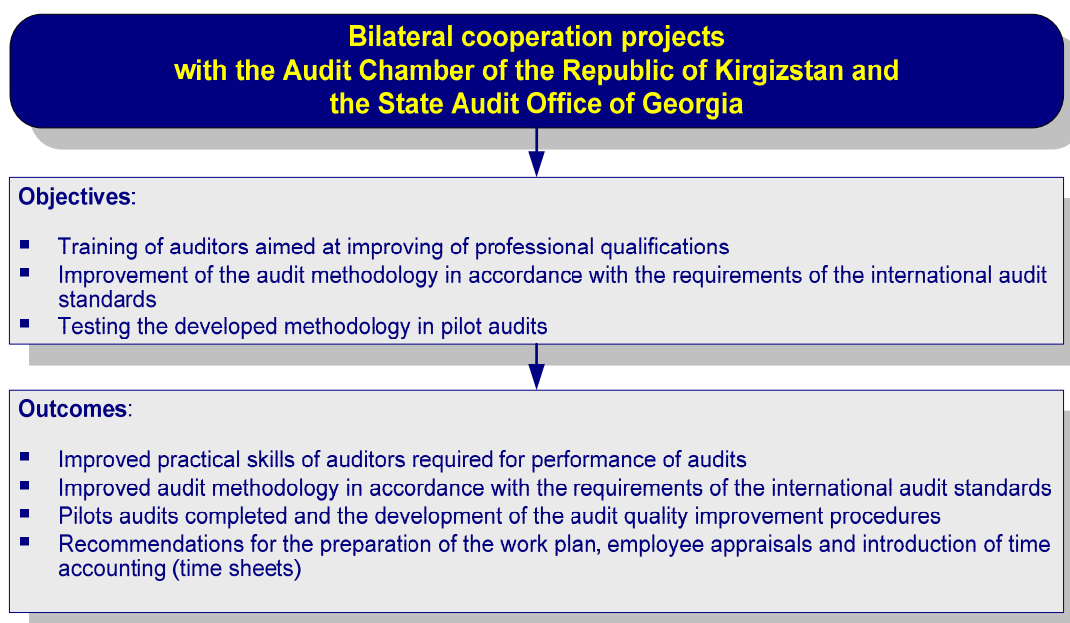


Figure 11. Bilateral cooperation projects

In cooperation with the Accounts Chamber of the Russian Federation, the fourth parallel audit was carried out by both the institutions in 2011.

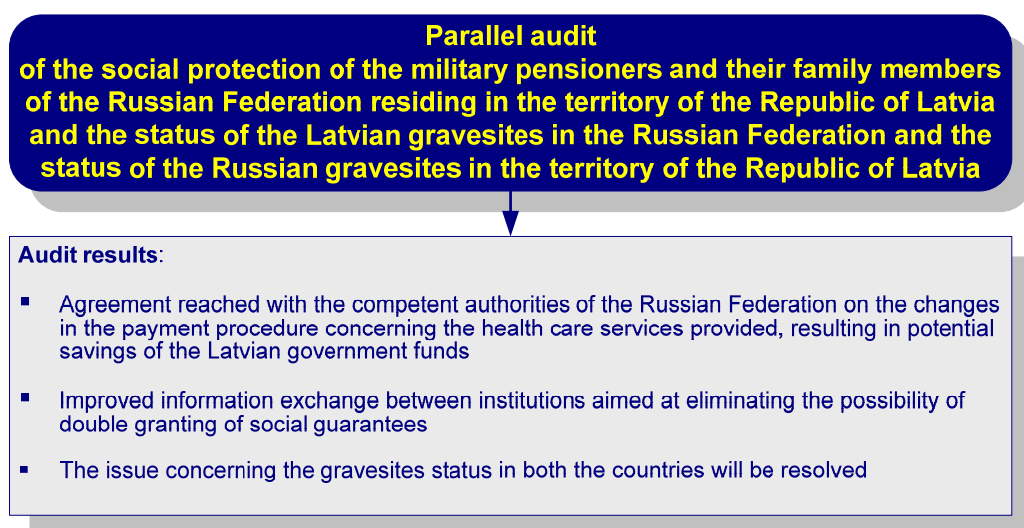


Figure 12. Parallel audit by the State Audit Office and the Accounts Chamber of the Russian Federation



## 5. Communication

### 5.1. Public Information and Performance Assessment of the State Audit Office

The State Audit Office informs the public about the audits performed as required under the State Audit Office Law by publishing all audit reports and opinions upon their becoming effective in the website of the State Audit Office [www.lrvk.gov.lv](http://www.lrvk.gov.lv) under **Results of audits**

For the State Audit Office the public's confidence in its work is the most important performance measure.

Under the results of a survey carried out by the market and public opinion studies centre SKDS in February 2011, the Latvian people's confidence to the State Audit Office has increased, over 11 years turning from an unfavourable rating into forceful positive rating.

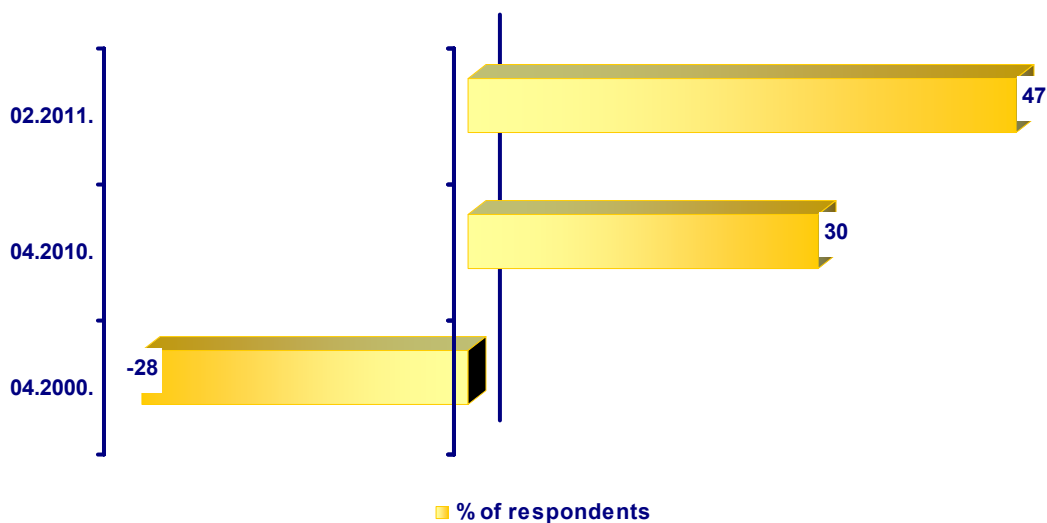


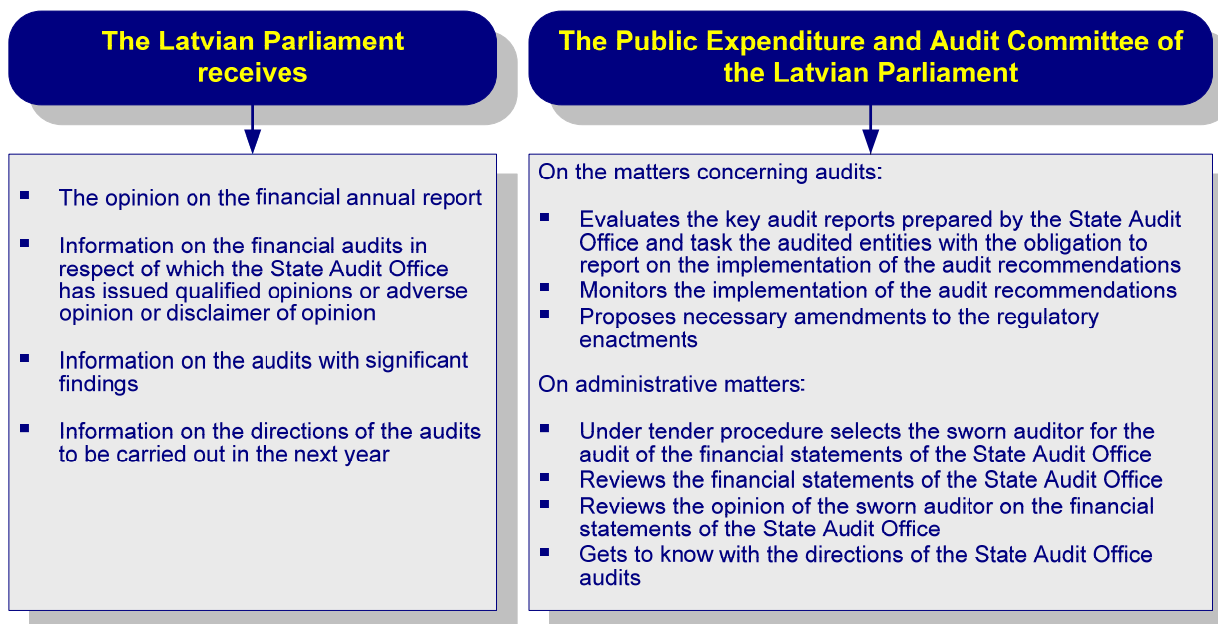
Figure 13. SKDS survey results about the public's confidence to the State Audit Office

During the reporting year the association "Sabiedrība par atklātību – Delna" (Transparency International) carried out an assessment of the Latvian public integrity for 2008 -2011. It represents a comprehensive study of 13 areas providing insight on the ability to resist corruption and get involved into its reduction. Of the areas included in the study the State Audit Office got the highest score - 92 points on a scale of 100 points.

### 5.2. Cooperation with the Parliament

The State Audit Office provides information to the Parliament of the Republic of Latvia as required by the State Audit Office Law. To supervise the results of the audits the State Audit Office cooperates with the Public Expenditure and Audit Committee of the Parliament of the Republic of Latvia.

In 2011 the State Audit Office was represented in 27 of the meetings of the Public Expenditure and Audit Committee of the Parliament of the Republic of Latvia, informed about the results of the audits performed during the year in 17 meetings and together with the ministries and other central government institutions reviewed the progress of the implementation of the State Audit Office recommendations.



**Figure 14. Cooperation of the State Audit Office with the Parliament**

During the reporting year the State Audit Office was actively involved in the work of the Public Expenditure and Audit Committee of the Parliament of the Republic of Latvia fulfilling the functions of stabilising the Latvian economy and monitoring the programme of the national economic growth recovery, by sharing its opinion about the issues discussed at the Committee.

## **6. Work Priorities in 2012**

In 2012 the State Audit Office will continue the audits on the important questions for society including on:

- the operational efficiency of the State Blood Donor Centre, while organising and coordinating the supplies of blood components to medical institutions;
- ensuring the social and professional rehabilitation of disabled persons and people with functional disorders;
- the efficiency of the management and performance of the SJSC “Latvian Post Office” and development opportunities;
- the efficiency of the management and performance of the public capital companies in field of environment protection;
- implementation of the national policy in the railway transport industry and the lawfulness and effectiveness of the operations of the holding company “Latvian Railway”;
- lawfulness and cost-effectiveness of the maintenance and management of the road motor vehicles of the National Armed Forces;
- the effectiveness of the accounting and control system of the funds of the Military Intelligence and security service and efficiency of the use of material and technical resources;
- lawfulness and cost-effectiveness of the use of the State budget funds by the Investigation support authority of the Main Criminal Police Department of the State Police;

- the efficiency of the system of collecting revenues from paid services and other revenues in the institutions within Interior system;
- the efficiency of the institutions involved in the ensuring the operation of the courts and Land Registry Offices;
- the operational efficiency and compliance of the management of the European Fisheries Fund to the fisheries policy;
- the operational efficiency and lawfulness of individual local governments in providing services to residents.

The State Audit Office continues supervising the implementation of the audit recommendations and in cooperation with Public Expenditure and Audit Committee of the Parliament of the Republic of Latvia sharing information about the results of the audits, evaluating the implementation of the audit recommendations as well as is actively involved in the work of the international working groups by sharing its experience and providing professional support to the supreme audit institutions of other countries.

## Audits completed and compliance controls performed at the State Audit Office in 2011

No.	Title of internal audit, title of the control	Internal audits and controls performed during the reporting year			
		Number of man hours		Number of days	
		Planned	Actual	Planned	Actual
<b>Internal audits</b>					
1.	Observation of annual stock-taking	113	107	14	13
2.	Personal data processing	133	127	17	16
<b>Total</b>		<b>246</b>	<b>234</b>	<b>31</b>	<b>29</b>
<b>Compliance controls</b>					
1.	Hiring and dismissal of employees	122	120	15	15
2.	Preparation of the internal correspondence documents and registration of the documents in the internal document management system (IDMS)	162	159	20	20
3.	Ensuring the function of the internal network and maintaining of the website of the State Audit Office	140	137	18	17
4.	Organisation of training and workshops	82	80	10	10
5.	Remuneration payments	82	80	10	10
6.	IT incident and problem management	122	96	15	12
7.	Deliverance and amortizing of stationary, office equipment and representation goods	82	80	10	10
<b>Total</b>		<b>792</b>	<b>752</b>	<b>98</b>	<b>94</b>