

2020 Public Annual Report of the State Audit Office of the Republic of Latvia

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Valsts kontrole

2020 Public Annual Report of the State Audit Office of the Republic of Latvia

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Dear Reader,



This is the first annual report of the State Audit Office prepared under my leadership, however, it covers the period before my assumption of the position of the Auditor General. Thus, first of all, I would like to extend my gratitude to Ms Elita Krūmiņa, my predecessor in the position of the Auditor General, from whom I took over in January 2021. I would also like to thank the members of the Council of the State Audit Office, auditors and support staff, audited entities, and cooperation partners for their work during the previous year. This period has been significant for the country and community, especially given the difficult circumstances we worked under in connection with the COVID-19 pandemic.

The work of the State Audit Office has been intensive. One has done much, both in carrying out large-scale audits of the public funds spent to curb the COVID-19 crisis, and in working on significant compliance and performance audits, as well as in providing support to institutions to improve their performance. In terms of the latter, for the first time government annual financial statements reflected the long-term liabilities of the government to recipients of service pensions.

On issues that impact society as a whole – the current COVID-19 crisis, the State Audit Office was one of the first audit institutions in the world to quickly reorientate its work and, through discussions with government, develop its approach in conducting compliance audits of COVID-19 spending. As the crisis continued, this quick mobilization of the Audit Office, yielded the desired results. We pointed out deficiencies in a timely manner and provided recommendations to the state institutions, thanks to which one could improve procurement procedures, reduce bureaucracy, apply fairer bonuses to medical practitioners and employees of the home affairs system, people who worked at the forefront of pandemic placing their own health at risk. This work will continue in 2021, and we will, as is customary, inform the responsible institutions and the public about the results.

We have completed significant performance audits, which you can learn more about in this annual report. We are convinced that performance audits are the direction of the State Audit Office that contributes the most to the improvement of the public administration. Therefore, I envisage an important role for performance audits in the strategy of the State Audit Office for the coming years.

Much has been done in monitoring the implementation of the recommendations. In 2020, we recognised 359 recommendations as implemented, but 21 recommendations were still to be implemented. Thus, 92.4 percent of the recommendations provided are implemented, which is a consistently high proportion for several years in a row. In parallel, we have assessed the financial impact of the activities of the State Audit Office. Every year since the start of this assessment, each euro invested in the activities of the State Audit Office has provided a return of four euros, and the year 2020 was no exception.

Strengthening responsibility in public administration is one of the priorities of the State Audit Office. We continue to work closely with law enforcement institutions on this issue by sending them 11 reports of alleged criminal offenses by public officials. With the powers of the State Audit Office

extended in 2019 by vesting the right to the State Audit Office to levy the damages from public officials who have violated the law in their activities and have thus caused damage to the state, we see the deterrent effect of this statutory provision. State institutions are more active than in previous years in terms of assessing the administrative liability of their employees in the violations detected by the State Audit Office.

Despite the constraints of the pandemic, we have been active in international cooperation by contributing to various formats of international cooperation, such as co-chairing the sub-group of the EUROSAI COVID-19 Project Group on the role and effectiveness of Supreme Audit Institutions during the COVID-19 crisis. To the greatest extent possible, we continue to support audit institutions in other countries by providing training and participating in the assessment of their compliance with international auditing standards.

The year 2021 will be notable in the activities of the State Audit Office. At the end of the current operational strategy, we will look for new long-term goals and challenges so that the State Audit Office can continue to develop dynamically and increase its contribution to public administration and the public.

In this new period, the involvement and support of every employee will be just as necessary as before. I hold them in high regard.

Respectfully
Mr Rolands Irklis
Auditor General,
Chair of the Council of the State Audit Office

Riga, May 2021



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1. Performance Results of the State Audit Office

1.1. Operational framework of the State Audit Office

1.2. Key goals achieved

1.3. Structure

1.4. Human resources

1.5. Results of public sector auditing

1.6. Auditing organisation and support processes

1.7. Quality management and internal control system

1.1. Operational framework of the State Audit Office

The State Audit Office is an independent, collegial supreme audit institution in the Republic of Latvia.

The main goal of the State Audit Office is [...] to see whether the state property is handled legally, efficiently and correctly, possibly preventing wrongdoing and negligence before it occurs, and persecuting those violations, which have already occurred [...]¹.



Strategy of the State Audit Office of the Republic of Latvia 2018–2021 [Read more...](#)

Mission: We exist to promote the responsible spending of taxes paid, open decision-making, and the high-quality of public administration.

Vision: Through our work, we have fostered public confidence in public administration.

Values: Accountability. Transparency. Development.

Legal framework and scope of powers

Section 87 and 88 of the Satversme (Constitution) of the Republic of Latvia [Read more...](#)

[...] A special law shall determine the structure of the State Audit Office [...].

The State Audit Office Law [Read more...](#)

[...] The State Audit Office shall conduct audits in accordance with the international standards on public sector auditing, which conform to the requirements recognised and approved by the International Congress of Supreme Audit Institutions regarding the work of the supreme audit institutions and whose recognition the Auditor General determines in Latvia, as well as it shall act in accordance with the statutory procedures in relation to the violations of laws and regulations detected during an audit [...].

The Law on Audit Services [Read more...](#)

[...] The Auditor General determines the standards applicable for public sector auditing in Latvia, and those are the standards (ISSAI) of the International Organization of Supreme Audit Institutions (INTOSAI). [...].

The Law on Budget and Financial Management [Read more...](#)

[...] Ministries and other central governmental agencies shall attach an opinion of the State Audit Office to their annual financial statement regarding the accuracy of the annual financial statement. A report of a sworn auditor shall be attached to the annual financial statements of local and regional governments [...].

The Law on Remuneration of Officials and Employees of State and Municipal Institutions [Read more...](#)

[...] The amount of the monthly salary for the employees of the State Audit Office shall be determined taking into account the value of the position (level of responsibility and complexity), as well as the assessment of the individual qualification and skills of the particular employee [...].

INTOSAI (International Organization of Supreme Audit Institutions) standards [Read more...](#)

[...] The State Audit Office performs audits in accordance with international public sector auditing standards and international documents of supreme audit institutions: INTOSAI standards (ISSAI) [...].

UN Resolutions [Read more...](#)

[...] Supreme Audit Institutions can perform their tasks objectively and effectively only when they are independent of an audited entity and protected from external influence [...].

The Statutes of the State Audit Office and other internal regulations of the State Audit Office (descriptions of work processes, regulations, procedures, instructions, methodology, manuals, orders, etc.).

¹ Arguments and explanations for the submitted draft law on the State Audit Office of Latvia in 1923.

1.2. Key goals achieved



Strengthened capacity for compliance and performance audits.

66.4 % of the total resources spent on auditing of all types² were devoted to compliance and performance audits. [Read more...](#) [Read more](#)



Immediate action to reorient auditing during the COVID-19 crisis.

There were 25 interim reports, 2 analytical overviews and summary on the funds allocated to respond to the COVID-19 and to mitigate the consequences of the emergency. [Read more...](#)



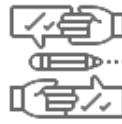
The most ambitious audit to date has been completed.

For the first time, a performance audit was performed in the Prosecutor's Office of the Republic of Latvia by assessing how the work of the Prosecutor's Office was organised, how the management function of the institution was implemented, and how the risks of inefficient work were reduced³. [Read more...](#)



In financial audits, the scope of compliance issues to be assessed increased

48 opinions on compliance issues and the horizontal compliance matter. [Read more...](#) [Read more...](#)



Cooperation with audited entities facilitated for the comprehensive implementation of audit recommendations.

The audited entities have acted and 92.4 % of audit recommendation are implemented. [Read more...](#)



Implementation of the given recommendations resulted in financial return.

Rate of return 1:4 [Read more...](#)



Increased opportunity for local and regional governments not included in audits to evaluate their activities proactively.

Seven self-assessment questionnaires have been prepared for local and regional governments, and the population. [Read more...](#)



Cooperation with law enforcement institutions maintained.

11 reports sent to law enforcement institutions. [Read more...](#)



New challenges accepted in the international arena.

Leading role in EUROSAI COVID-19 Project Group. [Read more...](#)

² Within the framework of performance, compliance, combined (compliance/performance) and financial audits.

³ The State Audit Office paid particular attention to the suitability and conformity of the Prosecutor Office's institutional model to internationally recognised best practices, assessing whether the legislation and the prosecutor's institutional model ensures pre-conditions for successful criminal investigation and for maintaining public prosecution, as well as does not impose any external obstacles for the effective organisation of the work of the Prosecutor's Office.

1.3. Structure (1)

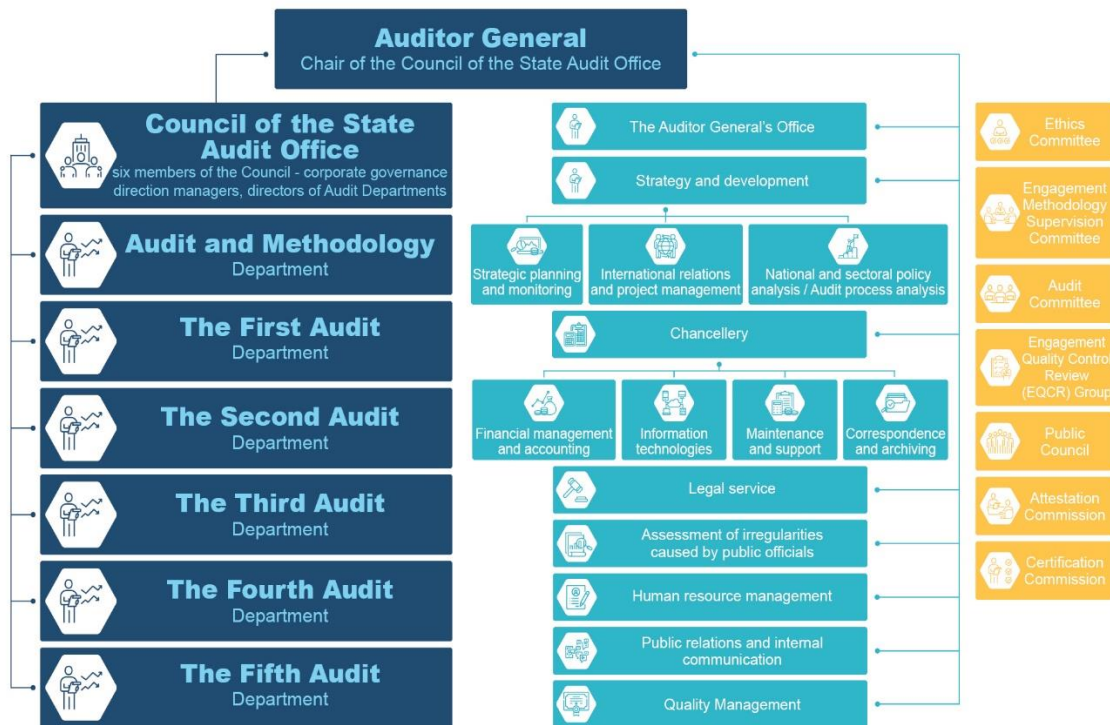


Figure 1. Structure of the State Audit Office as of 15 October 2020.

From 15 October 2020, the structure of the State Audit Office was changed to ensure more efficient provision of certain support functions. The Strategy and Development Division has been established under the direct supervision of the Auditor General, which combines previous separate functions such as strategic planning and analysis of the State Audit Office, analysis of economic and public sector development, international cooperation, and project management.

Audit Departments

The Audit Departments perform financial audits, compliance audits, and combined (compliance/performance) audits in accordance with annual audit plan approved by the Council of the State Audit Office, prepare audit reports and opinions based on the documents examined and the evidence obtained during an audit, provide recommendations to the audited entities for the elimination of the deficiencies detected.

Support functions

Strategic planning and analysis; analysis of economic and public sector development; project, process and quality management; human resource management; legal service; communication; international cooperation; financial management; information technology; maintenance and support; record keeping, and secretariat.

1.3. Structure (2)



The First Audit Department

Inese Kalvāne

Member of the Council of the State Audit Office since 8 September 2016,
Director of the First Audit Department.

The First Sector

Head of Sector
Sandra Zunde

Ministry of Foreign Affairs
Budget – 61.95 MEUR;
Subordinate bodies – 1 institution

Ministry of Education and Science
Budget – 802.40 MEUR;
Subordinate bodies – 54 institutions;
Supervision – 6 state-owned enterprises

National Electronic Mass Media Council
Budget – 33.28 MEUR;
Supervision – 2 state-owned enterprises

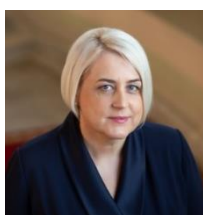
The Second Sector

Head of Sector
Larisa Reine

Ministry of Economics
Budget – 307.34 MEUR;
Subordinate bodies – 6 institutions;
Supervision – 7 state-owned enterprises

Ministry of Transport
Budget – 558.85 MEUR;
Subordinate bodies – 4 institutions;
Supervision – 13 state-owned enterprises

Public Utilities Commission
Budget – 5.23 MEUR



The Second Audit Department

Ilze Grīnhofa

Member of the Council of the State Audit Office from 20 May 2013 to 19 May 2021, Director of the Second Audit Department

The First Sector

Head of Sector
Iveta Ozoliņa

Ministry of Defence
Budget – 693.37 MEUR;
Subordinate bodies – 5 institutions
and the National Armed Forces

Corruption Prevention and
Combating Bureau
Budget – 10.99 MEUR

The Second Sector

Head of Sector
Kaiva Skalbiņa

Ministry of the Interior
Budget – 400.85 MEUR;
Subordinate bodies – 9 institutions;
Supervision –
1 state-owned enterprise

Prosecutor's Office of the Republic
of Latvia
Budget – 34.65 MEUR

The Third Sector

Head of Sector
Aelita Jaunroze

Ministry of Justice
Budget – 258.29 MEUR;
Subordinate bodies – 12
institutions;
Supervision –
2 state-owned enterprises
Supreme Court of the Republic of
Latvia
Budget – 5.86 MEUR
Constitutional Court of the
Republic of Latvia
Budget – 2.54 MEUR

1.3. Structure (3)



The Third Audit Department

Inga Vārava

Member of the Council of the State Audit Office
from 19 February 2013 to 19 February 2021,
Director of the Third Audit Department

The First Sector Head of Sector Ieva Pīpiķe	The Second Sector Acting Head of Sector Sandra Batalova	The Third Sector Head of Sector Linda Freidenfelde-Purgaile
Ministry of Welfare Basic budget – 748.72 MEUR; Special budget – 3.17 BEUR; Subordinate bodies – 11 institutions; Supervision – 1 state-owned enterprise	Ministry of Health Budget – 1.29 BEUR; Subordinate bodies – 10 institutions; Supervision – 13 state-owned enterprises	Audits on compliance of certain transactions with the statutory requirements (Audits for rapid response to current events in the country)



The Fourth Audit Department

Inga Vilka

Member of the Council of the State Audit Office
since 26 March 2019,
Director of the Fourth Audit Department.

The First Sector Head of Sector Uldis Kalniņš	The Second Sector Head of Sector Aija Feldmane	The Third Sector Head of Sector Natalja Mihailova
Ministry of Agriculture Budget – 733.07 MEUR; Subordinate bodies – 9 institutions; Supervision – 5 state-owned enterprises Ombudsman Budget – 1.59 MEUR Central Land Commission Budget – 107.1 thousand EUR	Ministry of Environmental Protection and Regional Development Budget – 100.17 MEUR; Subordinate bodies – 7 institutions; Supervision – 3 state-owned enterprises and 5 planning regions Cabinet of Ministers Budget – 12.42 MEUR; The State Chancellery and the State Administration School Cross-Sectoral Coordination Centre Budget – 1.14 MEUR	Ministry of Finance Budget – 1.22 BEUR; Subordinate bodies – 5 institutions; Fiscal Discipline Council; Supervision – 5 state-owned enterprises Ministry of Culture Budget – 200.36 MEUR; Subordinate bodies – 28 institutions; the State Culture Capital Foundation; Supervision – 15 state-owned enterprises Chancery of the President of Latvia Budget – 4.85 MEUR

1.3. Structure (4)



The Fifth Audit Department

Edgars Korčagins

Member of the Council of the State Audit Office since 21 December 2015,
Director of the Fifth Audit Department.

The First Sector Head of Sector Jānis Lielkalns	The Second Sector Head of Sector Elita Andruce	The Third Sector Head of Sector Oskars Erdmanis
Annual Consolidated Financial Statement of the Republic of Latvia on the Execution of the State Budget and the Municipal Budgets (annual financial statements of local and regional governments) 2.85 BEUR; Municipal assets – 9.78 BEUR	Local and regional governments, municipal institutions and agencies, municipal enterprises, derived legal entities of public law 119 local and regional governments; More than 2,640 institutions; 59 agencies; More than 43 municipal enterprises Social Integration Foundation Budget – 15.26 MEUR	Local and regional governments, municipal institutions and agencies, municipal enterprises, derived legal entities of public law 119 local and regional governments; More than 2,640 institutions; 59 agencies; More than 43 municipal enterprises



Audit and methodology Department ⁴

Kristīne Jaunzeme

Member of the Council of the State Audit Office since 18 May 2020,
Director of the Audit and Methodology Department ⁵

The First Sector Head of Sector Ilze Bādere	The Second Sector Head of Sector Ingrīda Kalniņa- Junga
Annual Consolidated Financial Statement of the Republic of Latvia on the Execution of the State Budget and the Municipal Budgets (revenue and expenditure of the national consolidated budget (actual performance)) – 9.59 BEUR Central Election Commission Budget – 2.17 MEUR Audit methodology, ensuring the exchange of staff experience and training of partner organisations Quality control of closed audits	Audits in the area of ICT and e-government implementation IS audit in financial audits and evaluation of ICT performance IS audit methodology, large-scale data analysis, staff support in the use of audit support tools

Note: Financial information from: "Operational report. Execution of the revenue and expenditure of the basic budget of the Ministry in 12 months of 2020 (expenditure - total)". [Read more...](#)

⁴Publication of reports - local and regional governments" (Viewed on 8 March 2020). [Read more...](#)

³Consolidated State Budget Performance Report. [Read more...](#)

⁴The Audit and Methodology Department consisted of three sectors until 14 October 2020.

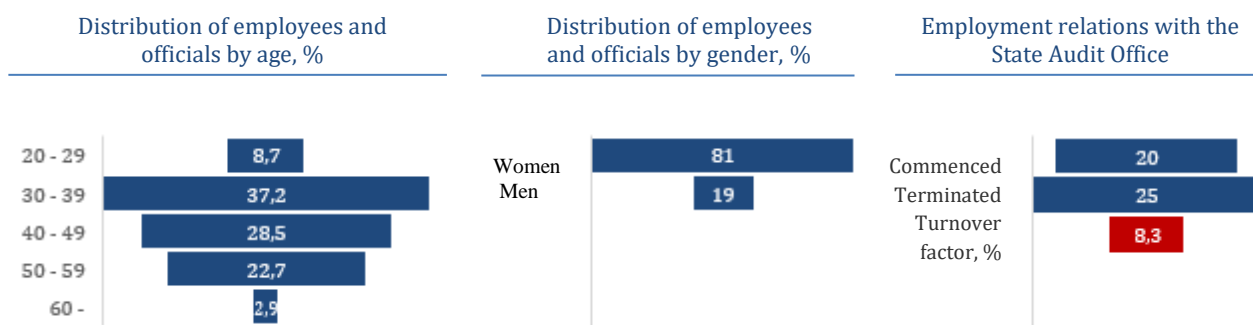
⁵Zita Zariņa was the Department Director until 14 April 2020.

⁶Additional information: <https://www.intosaicbc.org/intosaint/>.

1.4. Human resources

Strategic priority: The State Audit Office is a high-level Employer of Choice with an engaged team that is result-oriented rather than process-oriented.

At the end of the reporting period, the State Audit Office had 180 staff positions inter alia 137 for audit staff and 43 for support staff. The State Audit Office employed 172 employees and officials, of which 129 were auditors and 43 were support staff.



95% of employees (including officials) have higher education (1st or 2nd level higher professional education, bachelor's, master's, or doctoral degree).

The average number of years of service at the State Audit Office is eight years.

Self-assessment of professional ethics and integrity

A self-assessment of professional ethics and integrity was performed using IntoSAINT⁶ methodology developed by the Netherlands Court of Audit for INTOSAI members.

Attracting new professionals

Participation in the **Career Day** event organized by the BA School of Business and Finance. More than 100 attendees were introduced to the work of the State Audit Office. [Read more...](#)

Job Shadow Day organised by the State Audit Office. 15 young people were introduced to the daily work of a head of sector, state auditor, state auditor lawyer, accountant, and translator. A podcast interview with the participants of the Job Shadow Day has been prepared. [Listen here...](#)

Participation in a scientific conference of the University of Latvia by presenting "Audit aspects of the consolidated annual financial statement" at the session "New solutions of accounting, finance, and audit in science and practice". [Read more...](#)

Three internships were organised.

Auditor certification

Strategic priority: The State Audit Office is a nationally recognised centre of excellence for public sector audits.

In cooperation with the Stockholm School of Economics in Riga Ltd, two professional development education programs were developed for public sector auditors, which the State Education Quality Service licensed - Financial Audit in the Public Sector (license No P-16532) and Performance Audits in the Public Sector (license No P-16732). [Read more...](#)

By 31 December 2020, 37 employees have been issued certificates for financial audits and 19 employees have been certified for performance audits. [Read more...](#)

Cooperation with the Latvian Association of Certified Auditors on the issue of certification of certifie.

Cooperation with the Latvian Association of Certified Auditors on the issue of certification of certified auditors.

1.5. Results of Public Sector Auditing (1)

1.5.1. Results of financial audits (1)

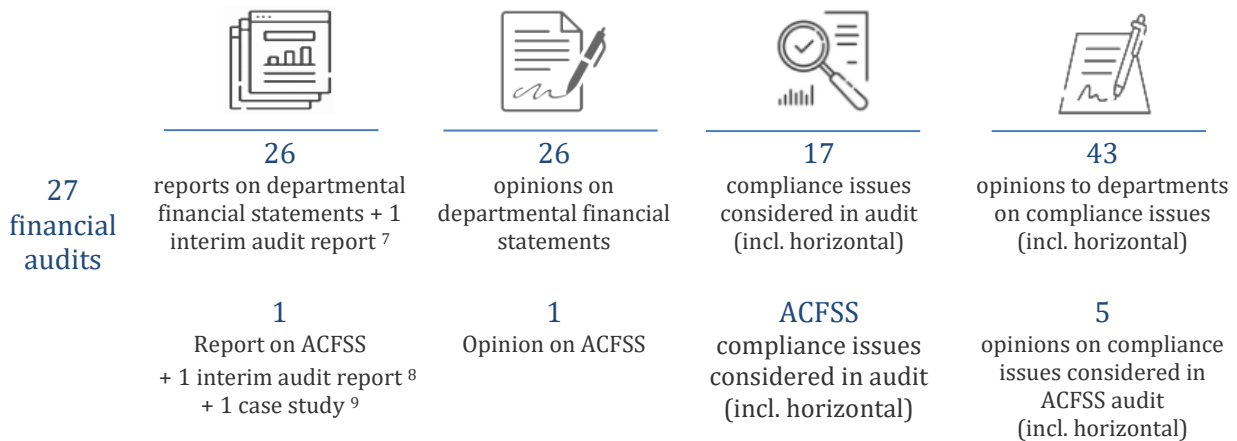
Financial audits

Are the financial statements drafted according to the laws and regulations and do they provide true information on the financial position and performance of the institutions?

The State Audit Office provides opinions on the accuracy of annual financial statements of ministries and other central state institutions every year, as well as an opinion on the annual consolidated financial statement of the state submitted by the Minister of Finance on the execution of the state budget and municipal budgets.

The annual consolidated financial statement of the state (ACFSS) combines the annual financial statements of ministries, central state institutions, local and regional governments, and the state budget financial accounting reports. The ACFSS reflects the performance and financial position of the state.

Compliance issues in financial audits: assessment of compliance of measures, activities, transactions, or actions with laws and regulations, planning documents, nationally (or internationally) accepted practices and sectoral standards.



⁷ Interim audit report of the financial audit "On the accuracy of the annual financial statement of the Ministry of Health for 2019" regarding the verification of the implementation of the recommendations made in the report "Is the outpatient healthcare system in Latvia to be improved?" of performance audit No. 2.4.1-11/2015 "Is the state able to provide effective outpatient healthcare to patients?".

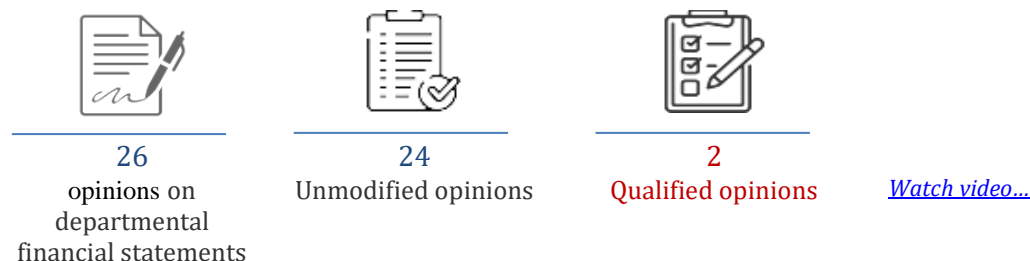
⁸ On the Annual Financial Statement of the Republic of Latvia for 2019 on the Execution of the State Budget and on Municipal Budgets (Annual Financial Statement of Saulkrasti Regional Government).

⁹ ICT environment in local and regional governments in preparation for municipal reform.

1.5. Results of public sector auditing (2)

1.5.1. Results of financial audits (2)

Results of financial audits on the accuracy of the financial statement for 2019 in ministries and central state institutions



Unmodified opinions

Ministry of Foreign Affairs, Central Land Commission, Central Election Commission, Ministry of Welfare, Cabinet of Ministers, National Electronic Media Council, Cross-sectoral Coordination Centre, Prosecutor's Office, Social Integration Fund, Public Utilities Commission, Ombudsman, and Chancery of the President of Latvia: no deficiencies or noncompliance detected to be disclosed in audit reports.

Ministry of Defence, Supreme Court, Ministry of Economics, Ministry of Education and Science, Ministry of Culture, Corruption Prevention and Combating Bureau, Ministry of Transport, Constitutional Court, Ministry of Justice, Ministry of Health, Ministry of Environmental Protection and Regional Development, and Ministry of Agriculture: audit reports reveal information on various irregularities, deficiencies, problems, and uncertainties (expenses for compensation and compliance with the requirements of the Public Procurement Law).

Qualified opinions

Ministry of the Interior

No assurance has been obtained on the completeness and assessment of balance sheet item "Provisions" in the value of 11.5 million euros in the consolidated annual financial statement of the Ministry as regards the changes in the legal framework concerning service pensions and uncertainties on the manner by which the legal framework is applied. [Read more...](#)

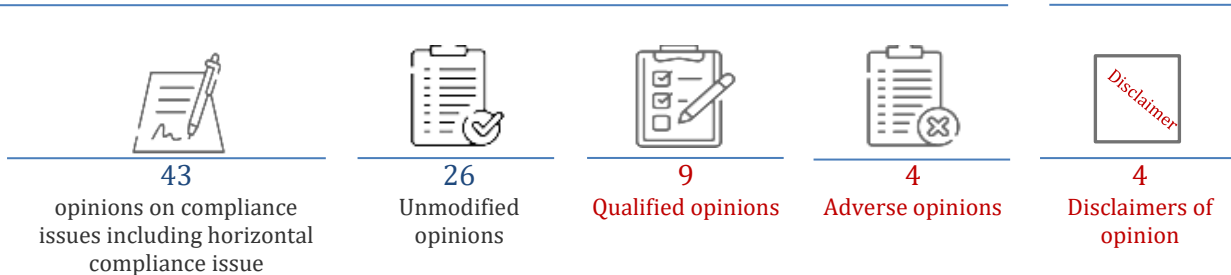
Ministry of Finance

No assurance has been obtained on the value of state property and investment property transferred into possession indicated in the consolidated annual financial statement of the Ministry for the total amount of 287.9 million euros, as there has been no reclassification of long-term investments made, i.e. which of the assets are necessary for the performance of public functions and which are used for profit. [Read more...](#)

1.5. Results of public sector auditing (3)

1.5.1. Results of financial audits (3)

On compliance issues and on horizontal compliance issue (1)



Compliance issues

In 17 departments, there were 33 various compliance issues specific to those departments assessed such as whether the allocated funding of 88.6 MEUR was spent according to the purpose for which it was allocated, in compliance with the applicable legislation, by achieving the intended results, etc.

Unmodified opinions (1)

Ministry of Defence

Implementation of the development of the Intelligence, Airspace Surveillance, and Air Defence Capabilities of the National Armed Forces – 6.6 million euros.

Implementation of the Development of the Indirect Fire Support Capability of the National Armed Forces – 28.3 million euros.

Central Election Commission

Use of the funding allocated to the European Parliament elections – 3.1 million euros.

Ministry of Economics

Use of the funding allocated to the Latvian Investment and Development Agency for the implementation of foreign economic policy – 3.6 million euros.

Use of additional funding allocated to the Consumer Rights Protection Centre for “transposition of the Directive of the European Parliament and of the Council in tourism and ensuring legal framework for compliance with eco-design and energy labelling requirements” and “limiting the risks of money laundering and terrorist financing” – 479,000 euros.

Ministry of Finance

Use of the funding allocated for a receipt lottery – 340,000 euros.

Ministry of Education and Science

Implementation of the reconstruction project of the Valmiera J. Daliņš Stadium and construction of the athletics arena – 2.1 million euros.

Implementation of the construction project of Jēkabpils Multifunctional Sports Facility of Jēkabpils City Municipality – 500,000 euros.

Ministry of Culture

Use of the funding allocated for the implementation of the scheme of support measures for creative people – 500,000 euros.

National Electronic Media Council

Use of additional funding allocated to the Latvian Television – 254,200 euros. Use of additional funding allocated to the Latvian Radio - 100,000 euros.

Prosecutor's Office

Use of the funding allocated to the project “Development of the Prosecutor's Office Information System” – 92,600 euros.

1.5. Results of public sector auditing (4)

1.5.1. Results of financial audits (4)

On compliance issues and on horizontal compliance issue (2)

Unmodified opinions (2)

Ministry of Justice

Implementation of the project “Development of the Court Information System” – 464,500 euros.

Implementation of the project “Improvement of the Probation Client Recording System” – 61,900 euros.

Implementation of the project “Improvement of the Prison Administration Information System” – 21,300 euros.

Chancery of the President of Latvia

Use of the funding for severance pay and compensation for unused annual leave – 83,400 euros.

Ministry of Health

Implementation of health reform measures “Establishment of the State Pathology Centre” and “Establishment of new manipulations in the State Pathology Centre” – 2.6 million euros.

Ministry of Environmental Protection and Regional Development

Use of the funding allocated to the priority measure “Implementation of administrative territorial reform” – 500,000 euros.

Qualified opinions (1)

Ministry of Foreign Affairs

Use of additional funding allocated for increasing the number of contract staff of the diplomatic and consular mission of the Republic of Latvia and for social guarantees and material stimulation of existing contract staff – 250,000 euros: non-compliance in the planning of the financing required to increase the number of administrative local technical contract staff by spending 134,800 euros or 46% which was closed as unused state budget allocation.

Ministry of the Interior

The measures to improve road traffic monitoring - 3.2 million euros: the State Police does not use a large part of the purchased technical means to achieve the objectives set in the planning documents and has not taken the necessary measures to put them into operation.

Ministry of Education and Science

The use of state budget funding for the provision of free lunches for the students of forms 1 to 4 - 17.4 million euros: although the funding allocated to local and regional governments has been used for its intended purpose, the funding of 2.7 million euros has not been spent within the financial year, has remained at the disposal of local and regional governments, and has not been repaid to the state budget in accordance with the laws and regulations.

Ministry of Welfare

Planning and use of financing for the social rehabilitation service for children who have suffered from illegal activities - 1.9 million euros: the Law on the State Budget for 2019 does not determine the planned performance indicators correctly in relation to the number of service recipients, as well as does not take into account that the service provider, Latvian Children’s Fund has accumulated the advance payment surplus for the funding allocated but unspent previously for several years already.

1.5. Results of public sector auditing (5)

1.5.1. Results of financial audits (5)

On compliance issues and on horizontal compliance issue (3)

Qualified opinions (2)

Ministry of Transport

Use of the funding allocated for the implementation of the pilot project for the control of the payment of tolls - 1.2 million euros: The contracts concluded by state-owned *Latvijas Valsts ceļi* Ltd for the implementation of the pilot project do not provide a clear idea of the procurement subject, composition, and costs of the work to be performed. According to the results of the pilot project, it is impossible to assess whether the chosen technical solution is sufficient and appropriate to use the pilot project approach to improve the toll control mechanism throughout the country and ensure the implementation of the toll revenue plan in the state budget as a whole.

Establishment of the state information system for the registration of beneficiaries of transport fare relief – 108,800 euros: Failure to complete work on time may adversely affect the introduction of electronic identification solutions for the beneficiaries of transport fare relief in regional vehicles by the planned deadline of 1 January 2021.

Ministry of Health

Use of the funding allocated for the implementation of the health reform measure “Chronic patient care reform” - 5.4 million euros: discrepancies in the planning of the funding needed to cover the measure, the unused funding of 19% for this purpose was reallocated to other measures.

Use of the funding allocated for the implementation of the health reform measure “Establishment of Psycho-Emotional Support Day Centre “Source of Power”” – 77,000 euros: although the funding for the establishment of the support day centre was used for the intended purpose, it was set up with a delay making it impossible to provide services to patients to the extent originally planned.

Adverse opinion

Ministry of Welfare

Planning and use of the financing for the provision of social rehabilitation services for children addicted to psychoactive substances – 790,000 euros: although even the planned basic financing for the service has not been absorbed for several years, additional financing has been requested for the provision of the service with only 325,500 euros or 41% spent for the intended purpose, while the unused financing in the amount of 464,500 euros has been diverted to another objective, the reduction of the waiting lists for technical assistance means.

Ministry of Environmental Protection and Regional Development

Implementation of the decommissioning measures of the Salaspils Nuclear Reactor - 1.2 million euros: the Ministry has used 63% of the state budget funds received for the new policy initiative and emergency measure for other measures not related to the decommissioning of the reactor.

Planning of financing for compensations for losses due to restrictions on economic activities and significant damage caused by specially protected non-game species and animals of migratory species – 658,600 euros: despite the fact that for several years in a row the Nature Protection Board has liabilities to the beneficiaries of compensation, when planning the 2019 budget, the Ministry of Environmental Protection and Regional Development proposed to reduce the initially planned funding by 65,100 euros or 10% by reallocating it to other purposes, including remuneration.

Use of the funding allocated for the measure “Strengthening of environmental monitoring” – 120,000 euros: the funding has not been used in accordance with the purpose of the allocation for increasing the monthly salary of senior inspectors, but for motivating the employees of the State Environmental Service.

1.5. Results of public sector auditing (6)

1.5.1. Results of financial audits (6)

On compliance issues and on horizontal compliance issue (4)

Disclaimer of opinion

Ministry of Finance

Use of the funding allocated to state-owned *Valsts nekustamie īpašumi* Ltd for the implementation of the project “Ensuring measures for the prevention of danger and emergency situations of state buildings in the territory of the UNESCO World Cultural Heritage “Riga Historical Centre” ” - 4.1 million euros: the implementation of the project did not ensure clear and traceable decision-making regarding the selection of state real estate sites to be allocated state budget funding within the project.

Ministry of the Interior

Remuneration of lecturers at the State Police College – 620,700 euros: detected illegal use of state budget funds of at least 8,200 euros and significant discrepancies in the internal control system called into question whether the established work accounting system for lecturers can ensure the accounting of the actual workload of lecturers and the calculation of their remuneration.

Ministry of Transport

Use of the funding from the European Union Solidarity Fund for the reconstruction of the infrastructure affected by the August-October 2017 rainstorms - */restricted access information/*.

Ministry of Agriculture

Use of the funding from the European Union Solidarity Fund allocated for the reconstruction of the infrastructure affected by the August-October 2017 rainstorms - 1.9 million euros: no independent information was obtained on the state of reclamation systems before the natural disaster, assessing the estimated costs to be financed from the Fund and, if necessary, from the state budget or other European Union funds was impossible.

Horizontal compliance issue

Is the allocated funding for the celebration of the Centenary of the Republic of Latvia spent for the intended purpose in accordance with the procedures specified in laws and regulations?

In 2019, the Ministries spent 8.3 million euros on the celebrations of Latvia's Centenary wherein 1.2 million euros were spent from the existing budget of the Ministries, their own revenues, donations, and other funds.

Unmodified opinions

Ministry of Defence, Ministry of Foreign Affairs, Ministry of Economics, Ministry of Finance, Ministry of the Interior, Ministry of Culture, National Electronic Media Council, and Ministry of Health.

Qualified opinions

Ministry of Education and Science

Until 1 April 2020, the Ministry has not received the final report and the deed of acceptance on the implementation of the activity “100 stories about young people in Latvia “TUESI.LV”” in the amount of 27,200 euros from Association NEXT.

Recommendations after financial audits

Implementing the recommendations regarding the accuracy of the annual financial statements will ensure the legal, effective, and economic use of the allocated budget funds in accordance with the intended objectives, proper accounting and management of assets, fair and equal determination of remuneration and bonuses, and high-quality internal control environment in state institutions.

The implementation of recommendations regarding compliance issues will improve the planning and implementation of various measures, the internal control environment of institutions, and the use of funding allocated to measures for the intended purpose according to the procedures specified in laws and regulations.

1.5. Results of public sector auditing (7)

1.5.1. Results of financial audits (7)

On the annual consolidated financial statement of the state

The total balance sheet of the annual consolidated financial statement of the state for 2019 amounted to 29.5 billion euros, revenues of 12.6 billion euros and expenditure of 16.2 billion euros.



Qualified opinion [Watch here...](#)

The ACFSS has so far been the subject of qualified opinions, as both significant non-compliances and significant limitations on scope were identified each year.

Key limitations on scope

In 2020, compared to previous years, the State Audit Office did not identify any significant non-compliances for the first time; however, it still identified significant limitations on scope.

Long-term investments

Of the total amount of 1.21 billion euros, for which it is not possible to determine the amount of corrections required, 0.97 billion euros or 80% refer to transport structures (streets, roads, and bridges) in Riga and Jūrmala City Municipalities. Those municipalities have not carried out a full inventory of transport structures since 2015.

Liabilities

Considering that a case has not yet been decided in court regarding the actions of the former Chair of the Lielvārde Regional Council regarding the transaction concluded on behalf of the regional government with Riverside HK Ltd for a promissory note in the amount of 200 MEUR in 2015, no sufficient and appropriate evidence has been obtained of the potential impact of that transaction or its absence on the financial statement.

Financial derivatives

Implementation of the recommendations made in the previous audit are on-going, and thus there is no assurance obtained that the value of the financial derivative items reported is accurate and reliable.

Revenue

Revenues from taxes and state fees are still not reported on an accrual basis. The information provided in the report on state fee revenues is still incomplete and prevents the ability to gain assurance that state fees are collected and accounted for in full.

Contingent liabilities

It was not possible to determine exactly the amount of the required adjustments to the value of the contingent liabilities reported in the ACFSS. The statement does not present Latvia's contingent liabilities arising from the obligation to cover post-employment benefits of membership in international organisations.

1.5. Results of public sector auditing (8)

1.5.1. Results of financial audits (8)

On other ACFSS audit matters

Key audit matter and other significant issues

Calculation and presentation of the accruals for the post-employment benefits in the ACFSS

There are liabilities for post-employment benefits calculated and presented for the first time in the ACFSS, including service pensions totalling 4 billion euros.

Due to insufficient actions of the State Treasury, it was not clear to the state institutions on how to make the calculations and in the reports of which state institutions to provide these calculations. At the beginning of 2020, the State Treasury issued explanatory guidelines that were incomplete and erroneous. Seven departments did not manage to make the necessary calculations in time for the preparation of their annual financial statements, so the calculations were performed during the preparation of the Public Annual Report, with an additional calculation of the liabilities of 1.4 billion euros.

In local and regional governments, there were also noteworthy facts identified in the context of the key audit matter. Former chairs of local or regional councils and their salaried deputies are currently eligible for a monthly minimum benefit of two minimum monthly salaries when dismissed. In total, at least 722 individuals meet the primary criterion specified in the law.

Accounting of state fees and the construction company registration fee

Only 319 or 43.6% of all 732 types of state fees are presented in the financial statements, and only two ministries and two central state institutions have provided complete and correct information on the types of state fees they administer.

One has identified problems in the administration of the registration fee for construction companies out of the audited state fees. Revenues from the state fee amounted to 3.7 million euros in 2019. However, the weaknesses identified in the audit lead to the conclusion that the state budget has not received all the revenue it is entitled to.

Research procurement

The database of research and publications does not contain accurate and complete information on research outsourced by state institutions. There is a risk of wasting money by different state institutions purchasing research on similar topics.

Information and communication technology (ICT) management in local and regional governments

After the administrative and territorial reform, local and regional governments with different ICT management models, different information systems and software for the same function, different types of ICT resource accommodation, different information system security classes, different types of computer network management and user rights restrictions will merge.

In order for the provision of municipal services and the operation of the necessary information systems not to be affected or interrupted during the commencement of the operation of a new local or regional government, local and regional governments must start addressing ICT issues without waiting until 1 July 2021. [Read more...](#)

1.5. Results of public sector auditing (9)

1.5.1. Results of financial audits (9)

Audit results of ACFSS on compliance issues



5

Opinions on compliance issues



4

Unmodified opinions



1

Disclaimer of opinion

[Read more...](#)

Unmodified opinions

Use of the funding allocated for the celebrations of Latvia's Centenary for the intended purpose

The funding granted for the provision of the celebrations of the Latvia's Centenary in 2019 has been used for the intended purpose in accordance with the procedures specified in the laws and regulations.

Although impact assessment of the implementation of Latvia's Centenary Program for the period from 1 January 2015 to 31 December 2018 was prepared as early as December 2019, which identified shortcomings and provided recommendations for their elimination, the Ministry of Culture has not acted to implement the recommendations until October 2020.

Actions of local and regional governments in introducing new requirements for accounting

In most cases, the actions of local and regional governments in the reported year ensured the implementation of the requirements of the new law, however, local and regional governments did not comply with the deadlines for implementation of the statutory requirements, as the updating of the accounting organisation documents and the evaluation of the municipal assets and liabilities were performed only in 2020 in some cases.

Taxpayer aid measure

The state aid measure, with the payment of arrears of late payment charges and fines by taxpayers in the event of payment of a debt, is implemented in accordance with the law and the objective. However, in some cases, the State Revenue Service is late in taking decisions on the cancellation of aid in cases where the taxpayer delays more than two consecutive tax debt payments or current tax payments.

Customs CCTV system

In order to implement all the desired features of the CCTV system, the estimated implementation costs significantly exceeded the initially planned funding, so the plans were adjusted. It was determined not to introduce a CCTV system at certain customs control points.

Disclaimer of opinion

Standardisation project

The set goal of the compliance of accounting and annual reporting regulations with the IPSAS (%) is defined too narrowly and does not describe the desired situation, the set increase of compliance with the IPSAS from 64% to 88.6% is unreliable and justified, not all project direct and indirect costs are identified and analysed, and other significant and comprehensive limitations on scope are detected.

Recommendations in the ACFSS audit

The audit provided 13 recommendations and 2 proposals related to the assessment of the validity of depreciation provisions and explanations on depreciation provisions, control of construction company registration fee payment, completeness of information on contingent liabilities from Latvia's membership in international organisations, presentation of information in financial statements on post-employment benefits, preparation of justifications before outsourcing, evaluation of the results of taxpayer aid measures, procedures for research procurement, etc. [Read more...](#)

Of the 13 recommendations, six were provided to Saulkrasti Regional Government. [Read more...](#)

1.5. Results of public sector auditing (10)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (1)

Performance, compliance, and combined (performance/compliance) audits

Performance audit: Do the activities, programs, and actions of a state institution comply with the principles of economy, efficiency, and effectiveness?

Compliance audit: Do the actions, financial transactions, and information comply in all material respects with the law and binding agreements, as well as with nationally or internationally accepted practices?

Combined (performance/compliance) audit: compliance audits that assess performance issues or performance audits that assess compliance issues.

Identification of audit topics: based on the strategic and risk assessment of the areas to be audited, as well as events of public importance in the country.

The State Audit Office faces the challenge of planning its activities as precisely as possible every day so that everyone would benefit from the use of national financial and material resources, namely, that the available resources are used in the most efficient and comprehensible way by preventing their inefficient use with the responsible officials understanding the essence of the recommendations provided by the State Audit Office and their contribution to increasing the efficiency of public administration.

Performance, compliance, and combined (performance/compliance) audits for the reporting year

Audits were performed in such areas as effectiveness of investigation and prosecution of criminal offenses in the economic and financial area, remuneration of medical practitioners at state-owned Pauls Stradiņš Clinical University Hospital Ltd, development of vocational secondary education system in Latvia, restrictions on professional activities in the public sector, performance of the Latvian Maritime Academy, the use of official electronic address in communication with individuals, traffic organization at the Riga International Airport, renewable energy policy, sustainable species management in Latvia and corresponding game management, actions of local and regional governments in organizing wastewater collection, discharge, and treatment, management of the Talsi municipal enterprises, and the real estate management of Riga City.



35% of time resources were devoted to performance, compliance, and combined (performance/compliance) audits.

1.5. Results of public sector auditing (11)

1.5.2. Results of performance, compliance, and combined (performance /compliance) audits (2)



The assessment of factors hindering investigation and prosecution of economic and financial criminal offences¹⁰

Audit performed in cooperation with the Organisation for Economic and Development (OECD).

[Read more...](#)

The State Audit Office concludes:

The overburdening of investigators and prosecutors, which is often cited as the main reason for the prolongation of criminal proceedings, is by no means the only negative factor influencing proceedings. Other long-standing problems also affect the length of investigations and trials. The most important are the lack of a common understanding of the application of legal provisions, uncertainty about the key circumstances to be proved, and the body of evidence necessary for proving the guilt of various types of criminal offences. Specific provisions of the Criminal Law and the Criminal Procedure Law, which one should improve for the sake of clarity and uniform application are identified and possibilities for improvement of the legal framework regarding the organisation of legal proceedings are listed.

The State Audit Office recommends:

There are 20 proposals submitted to the Crime Prevention Council. It is necessary to find a common understanding of the application of legal provisions, clarity about the key circumstances to be proved, and the body of evidence necessary to prove one's guilt. There is an urgent need to assess the opportunities for improving the legal framework and this is recognised as important by law enforcement, legal scholars, and international experts. The burden on the criminal justice system must be reduced by focusing on the investigation of the most complicated criminal proceedings that are of utmost significance for the national interests. Officials in charge of criminal proceedings should receive qualified technical and advisory support at different stages of criminal proceedings.



Does the operation of the Prosecutor's Office of the Republic of Latvia require any improvements?¹⁰

Audit performed in cooperation with the Organisation for Economic and Development (OECD). [Read more...](#)

The State Audit Office concludes:

There are no obstacles in the laws and regulations to the effective operation of the Prosecutor's Office. However, one requires significant changes in the understanding of the independence of the Prosecutor's Office and a modern approach to the implementation of management functions. Audit evidence shows that the concept of the independence of the Prosecutor's Office and a prosecutor is interpreted more broadly in Latvia than it follows from the recommendations and opinions of international organisations. According to OECD experts, the understanding of the almost absolute independence of the Prosecutor's Office has contributed to its isolation from the reforms implemented in the country aiming to modernise and streamline the functioning of state institutions, including the Latvian judiciary.

The State Audit Office recommends:

In total, the State Audit Office has provided 20 recommendations to the Prosecutor's Office to improve its efficiency, as well as addressed the Saeima of the Republic of Latvia, the Cabinet of Ministers, and the Crime Prevention Council regarding the possibilities to improve the regulation of the operation of the Prosecutor's Office. These improvements would increase both the capacity of the Prosecutor's Office to perform its core functions and promote the efficient use of the resources at its disposal.

¹⁰ Audit "The effectiveness of investigations and trials of the criminal offences in the economic and financial area".

1.5. Results of public sector auditing (12)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (3)



Risk assessment of E-case Program management ¹⁰

[Read more...](#)

The State Audit Office concludes:

The introduction of E-case in criminal proceedings, which is planned for completion and introduction in courts and the Prosecutor's Office by April 2021 and in investigative institutions by 2023, has been assessed in detail. Currently 27 million euros are planned for the implementation of the E-case Program. This requires both funding and technical expertise and good project governance and a project manager. The implementation of the single E-case Program lacks both. An organization structure for the governance of the E-case Program and the achievement of its objectives in order to monitor the implementation of the e-case as a whole has not been established. The scope of the E-case Program is unclear and the ongoing implementation is fragmented into a number of projects without joint governance and monitoring.

The State Audit Office recommends:

The State Audit Office has issued 5 recommendations, calling on the Ministry of Justice to take the lead and implement them in cooperation with the Prosecutor's Office, the Ministry of the Interior, and the Ministry of Environmental Protection and Regional Development. For the governance and supervision of the implementation of the E-case Program, the ministries and the Prosecutor's Office shall determine the organizational structure at the appropriate management level, update the conceptual architecture of the e-case and the performance requirements, develop an action plan for the full transition to electronic document signing, including the identification of the necessary equipment. The State Audit Office has addressed the Crime Prevention Council regarding the need to introduce an action mechanism for the unified governance of the E-case Program.



Can medical practitioners rely on a predictable and fair remuneration? Evaluation of the remuneration system of State-owned Limited Liability Company "Pauls Stradiņš Clinical University Hospital" ¹¹

[Read more...](#)

The State Audit Office concludes:

The reimbursement conditions for medical practitioners at this hospital have been neither fair nor comprehensible and traceable, while the additional funding granted in 2018-2019 has further widened the significant pre-existing salary gap between the minimum and maximum remuneration. The organization of work and remuneration differs not only among several divisions, but also within one division, therefore the range of lower and upper limits of employee salaries are broad, including even for representatives of one position within one division. The Ministry of Health has developed and is currently testing a new reimbursement model for medical practitioners. The audit does not assess how the implementation of this model will affect salaries in the industry.

The State Audit Office recommends:

Based on the findings of the compliance audit, the Hospital has been provided with 5 recommendations for the organization and improvement of the work organization and remuneration of medical practitioners by calling on the Hospital to assess the average hourly value of remuneration by setting the upper and lower remuneration intervals, to review the basic principles for calculating a variable part of remuneration and take measures to reduce the share of the variable part of remuneration in the total remuneration, as well as to review and determine the amount of duties to be performed by an employee during the main working hours within the workload.

¹⁰ Audit "The effectiveness of investigations and trials of the criminal offences in the economic and financial area".

¹¹ Audit "Has the remuneration of medical practitioners increased? Evaluation of the remuneration system of State-owned Limited Liability Company "Pauls Stradiņš Clinical University"

1.5. Results of public sector auditing (13)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (4)



Has vocational secondary education become more attractive and does it train specialists demanded in the country? ¹²

[Read more...](#)

The State Audit Office concludes:

There are more than a billion euros allocated from the state budget and the European Union (EU) Structural Funds for the operation and development of the vocational secondary education system in the last decade. During this period, the network of vocational education institutions has been optimised and their material and technical basis has been modernised. Nevertheless, the students' interest in vocational education has not increased significantly, as only almost 40% of students graduating from primary education have preferred it. More than 30% of students enrolled in educational institutions do not graduate school at all.

The State Audit Office recommends:

The Ministry of Education to improve the planning of the offer of vocational secondary education curricula, to improve the activities of educational institutions, the quality of data, and the financing system, as well as to assess the need to use real estate managed by the Ministry and transferred to the educational institutions regularly.



Organisation of vocational secondary cultural education: can one improve it? ¹²

[Read more...](#)

The State Audit Office concludes:

The Ministry of Culture has been responsible for the education of the cultural and creative industries for eight years. The Ministry of Culture has not established a unified sectoral inventory and cooperation mechanism that would ensure a comprehensive identification of cultural and creative industries in order to identify labour market needs and use it to determine the number of students enrolled annually in all educational institutions in the country, which ensure the implementation of the vocational secondary education curricula in culture and creative industries.

The State Audit Office recommends:

The Ministry of Culture shall strengthen mutual co-operation among the institutions, more substantiated and balanced planning, organization of more transparent and effective vocational secondary cultural education.

1.5. Results of public sector auditing (14)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (5)



Is the restriction of professional activity in the public sector determined legally?¹³

[Read more...](#)

The State Audit Office concludes:

The decision-making of public sector employers and the justification for the actual need to enter into agreements with employees on the restriction of professional activity are not traceable and are doubtful. Concluding agreements violate the requirements of the Labour Law and the remuneration for the restriction of professional activity has been paid in one payment, thus violating the requirement of the Law on Prevention of Waste of Financial Resources and Property of Public Entity to act with public funds lawfully and efficiently. The obligation imposed on the employer by the state social insurance regulation to provide the State Revenue Service with information regarding employees with whom agreements on the restriction of professional activity have been concluded is also not observed. During the audit, in cooperation with the State Revenue Service, one has achieved that public sector employers have submitted information corresponding to the actual situation to the State Revenue Service. It means that the competent authorities will be able to take successive actions, that is, the State Employment Agency has the opportunity to review the decision to grant the status of unemployed, while the State Social Insurance Agency may suspend the payment of unemployment benefits or recalculate the benefits in accordance with the regulation and, if necessary, to initiate actions for the recovery of the paid unemployment benefits.

The State Audit Office recommends:

The Ministry of Welfare to safeguard that its subordinate institutions: the State Employment Agency and the State Social Insurance Agency, act to recover or recalculate the unreasonably paid unemployment benefits from the special state budget for social insurance in the cases detected during the audit when there were corrections made in the Electronic Declaration System of the State Revenue Service about employees who had an agreement on the restriction of their professional activity after the termination of their legal employment.



Compliance Assessment of the Latvian Maritime Academy¹⁴

[Read more...](#)

The State Audit Office concludes:

The audit on the activities of the Latvian Maritime Academy and its Maritime School continues to shed light on problems in both higher and vocational education and training detected during an audit four years ago. The audit findings regarding the educational institution's late accreditation, inconsistencies in the education of the teaching staff, and improvement of competence indicate shortcomings in the operation of the Academy, which might endanger the quality of this education in general in the future. In their turn, discrepancies in the work organization, remuneration issues, teacher rating, and the adequacy of lectures in the curricula raise concerns about the appropriate use of state budget funding.

The State Audit Office recommends:

To eliminate non-compliance with the requirements of laws and regulations in the operation of educational institutions and to improve the internal control system of the Academy and the LMA Maritime School.

¹³ Audit "Do public sector employers ensure the requirements specified in laws and regulations when concluding an agreement with an employee regarding the restriction of professional activity?".

¹⁴ Audit "Does the operation of the Latvian Maritime Academy comply with the requirements of laws and regulations and is the implementation of its mandate ensured?".

1.5. Results of public sector auditing (15)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (6)



Does the country ensure effective use of the official electronic address?¹⁵

[Read more...](#)

The State Audit Office concludes:

The eAddress solution has been developed, but its implementation has taken a long time. Therefore, the Ministry of Environmental Protection and Regional Development needs to take action when leading the implementation of eAddress as a state-level information and communication technology project. At present, eAddress has been introduced only in institutions for which its use is mandatory, but its widespread use in everyday life is not observed. Almost half of the state institutions do not use eAddress in their daily communication and have not sent any messages. In turn, the communication of individuals with the state in the eAddress solution makes up only 10% of sent messages, but the rest is inter-institutional communication, moreover, only 10 institutions make up half of all correspondence.

The State Audit Office recommends:

The Ministry of Environmental Protection and Regional Development and the State Regional Development Agency to offer a clear vision for the further development and use of the eAddress solution. At present, eAddress is not integrated into specific processes, but laws and regulations stipulate only in general that eAddress will become the primary communication channel after an individual has activated it. To increase the use of eAddress, one must eliminate certain shortcomings of the eAddress solution for easier use such as improving the eAddress catalogue, eliminating shortcomings in guaranteed delivery and retrieval deadlines, aligning access solutions for different user groups, etc.



Compliance of taxi service organisation at the Riga International Airport with the statutory requirements¹⁶

[Read more...](#)

The State Audit Office concludes:

Taxi competition and even the fight for customers in the territory of the Riga International Airport has been on-going for more than a decade. Despite solutions being sought, a desired result has not yet been reached so that passengers can receive safe, high-quality service at the airport that meets their needs. Laws and regulations have been amended several times including by establishing the right of the airport to organise the access of taxi service providers to the taxi line and the criteria according to which taxi service providers may provide services on the taxi line. However, problems prevail and passengers can end up in the vehicles of unscrupulous carriers without realising it.

The State Audit Office recommends:

The airport, in cooperation with the Ministry of Transport, should find a solution to include all taxi service providers in the passenger transport organization, including those that use only electronic means of communication online on a website or mobile application, thus providing more choice for passengers and a level playing field for service providers and include detailed information on the carriers entitled to provide services on the airport taxi line and their applicable fares on the airport website.

¹⁵ Audit "Does the country ensure effective use of the official electronic address in communication with individuals?".

¹⁶ Audit "Compliance of the traffic organisation at the Riga International Airport with the requirements of laws and regulations".

1.5. Results of public sector auditing (16)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (7)



Is a purposeful renewable energy policy implemented in Latvia? ¹⁷

[Read more...](#)

The State Audit Office concludes:

When analysing the reasons for the increase in price and inefficiency, the State Audit Office discovered cases of unduly granted support, regularly unearned potential revenues of millions from cogeneration heat "blown up in the air", and an inability to prevent the purchase of expensive and inefficient technologies, thus hindering the introduction of newer and more efficient renewable energy technologies in Latvia.

The State Audit Office recommends:

The Ministry of Economics should further observe the principle of technological neutrality in the conditions for support for renewable energy production, without linking granting of support to a certain electricity production technology as far as possible. The planning of renewable energy policy should also take into account the interests of the economy and the public in the future, as well as assess the shortcomings of the support measure for energy-intensive manufacturing industries detected during the audit to provide targeted support to exporting enterprises.

The Ministry of Economics shall ensure reassessment of data submitted by beneficiaries of mandatory procurement support in previous years on power plant operation and heat generation data in co-operation with the State Construction Control Bureau aiming to discover inappropriately declared data on electricity self-consumption and heat production in previous periods, and to assess the possibility of recovering unreasonably paid support within the framework of mandatory procurement.



Is our game management sustainable? ¹⁸

[Read more...](#)

The State Audit Office concludes:

Harvest quotas for specially protected species of European significance such as lynx and wolf are set taking into account the number of animals. Nevertheless, this information varies significantly among data sources. This makes it possible to manipulate data, especially when deciding on the number of game animals per hunting season. Among the 23 EU Member States where lynx occupies the territory, their hunting is allowed in only three countries, i.e. Latvia, Finland and Sweden.

The State Audit Office recommends:

To amend the laws and regulations to ensure the assessment of the conditions set out in the Habitats Directive of the EU Council, thus preserving lynx populations, improving animal estimation methods, and generating reliable data on species status; a common approach to setting unbiased harvest quotas and proper hunting monitoring will be carried out in the State Forest Service.

¹⁷ Audit "Is a purposeful renewable energy policy implemented in Latvia?".

¹⁸ Audit "Is sustainable species management and appropriate monitoring of game management ensured in Latvia?".

1.5. Results of public sector auditing (17)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (8)



There are still many challenges in wastewater collection, discharge, and treatment¹⁹

[Read more...](#)

The State Audit Office concludes:

Although the problems in wastewater management have been known for years, and one billion euros have been invested in its improvement over the years in the country, the audit performed by the State Audit Office has concluded that there are still unresolved issues and much to do in wastewater collection, disposal, and treatment. Neither local and regional governments as organisers of wastewater management, nor the Ministry of Environment and Regional Development as an implementer of environmental policy has any information where up to 74% of the decentralised wastewater disappears.

The State Audit Office recommends:

Local and regional governments should be more involved in measures to ensure the collection and treatment of wastewater generated by decentralized sewerage systems, evaluate the economy and effectiveness of the organizational structure and institutional form of wastewater management, address the problems caused by rainwater and infiltration and the need to develop action plans to reduce their volumes, establish reasonable charges for wastewater collection and treatment services, with particular emphasis on the separation of cost accounting by type of service provided.



Management of municipal enterprises in the Talsi Region: questionable quality of services, increasing costs for residents, and risks of long-term accessibility...²⁰

[Read more...](#)

The State Audit Office concludes:

Municipal enterprises providing services and owned by the Talsi Regional Council are operating at a loss, are unable to cover their short-term liabilities fully from current assets, and might face solvency difficulties in the near future. In addition, due to the poor corporate management of the municipal enterprises, the services they provide to the population are of poor quality and expensive. The critical situation of Talsi Region municipal enterprises results from weak financial management and the lack of modern, result-oriented management. The recommendations provided by an internal auditor on the improvement of accounting and economically reasonable pricing for services have not been implemented in municipal enterprises for a long time. If the Talsi Regional Government does not act urgently, the local population will be forced to pay more and more for its services.

The State Audit Office recommends:

To improve the current situation in corporate governance, the regional government and municipal enterprises must address the deficiencies identified during the audit, in particular by improving financial management, introducing more detailed accounting to analyse operating costs at economically reasonable prices for both the municipality and the population, define and respect procedures for the governance and supervision of municipal enterprises through professional coordination among shareholder representatives and the boards of municipal enterprises. The streamlining of financial accounting is only part of good corporate governance, as ensuring the transparency of the activities of municipal enterprises is as important by providing information on its activities and maintaining a constant dialogue with the population to find out their opinion as recipients of services on the quality of services.

¹⁹ Audit "Does the wastewater collection, discharge, and treatment system established in the country ensure the protection of the environment against the harmful effects of urban wastewater?"

²⁰ Audit "Does the Talsi Regional Government manage municipal enterprises following the principles of the rule of law and best practices?"

1.5. Results of public sector auditing (18)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (9)



The Riga City real estate governance without strategic management and results²¹

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The State Audit Office concludes:

The current practice and procedures of real estate management in Riga show a completely unsuccessful and chaotic property governance model, which does not correspond to modern trends in real estate governance. This model is decentralised and fragmented; there are no standardised governance principles, no cost analysis processes regarding specific assets, no clearly defined tasks or performance indicators due to the lack of procedures for evaluating and controlling management activities. The actions of the Riga City Municipality in governing its real estate have been uneconomical and inefficient. Furthermore, other market participants whose business is related to real estate do not understand the model.

The State Audit Office recommends:

The Municipality should identify all municipal real estate and its technical condition and ensure the assessment of the potential use of the entire real estate portfolio for the Municipality to develop a unified real estate governance strategy, ensure regular evaluation of the real estate governance model by accurate accounting and analysis of financial resources used for real estate governance.



Has the Ministry of Defence managed the property located at 11 Krustabaznīcas iela, Riga, in the public interests? ²²

[Read more...](#)

The State Audit Office concludes:

One-third of the territory owned by the Ministry of Defence at 11 Krustabaznīcas iela, Riga, where the headquarters of the National Armed Forces Command - the Joint Staff - is located historically, is not actually available for the needs of the defence sector. There are significant deficiencies in the management of leased real estate. Neither the conclusion of lease agreements nor the management of the leased objects took place in the best interests of the state.

The State Centre for Defence Military Objects and Procurement as a manager of state-owned real estate located at 11 Krustabaznīcas iela, Riga, has not taken the necessary actions to review the lease agreements concluded with the lessee by including terms and conditions in the interests of the lessor. The National Defence Military Facilities and Procurement Centre has not acted to review the rent for premises and land in accordance with regulations. The provisions of laws and regulations regarding the inventory and accounting of state real estate, and activities to be performed in real estate management have been violated systematically.

The State Audit Office recommends:

The Ministry of Defence must assess the responsibility of the manager of the State Centre for Defence Military Objects and Procurement as the manager of state-owned real estate located at 11 Krustabaznīcas iela, Riga, is responsible for not resolving the situation for 10 years.

²¹ Audit "Management and implementation of the real estate projects of Riga City Council's Property Department and Riga City Council's municipal enterprises".

²² The interim audit report has been drafted based on audit schedule No 2.4.1-10/2020 of the Second Audit Department of the State Audit Office of 27 Apr 2020 and Section 3.1. c) of the State Audit Office Law.

1.5. Results of public sector auditing (19)

1.5.2. Results of performance, compliance, and combined (performance/compliance) audits (10)

Case study on the amount of income and justification of expenses of the Riga St. Peter's Church

At a time when the draft law on the St. Peter's Church in Riga was on the agenda of the Saeima, aimed at determining the legal affiliation of Riga St. Peter's Church and issues related to its use, maintenance, management, and financing, the State Audit Office conducted a case study. The study found that the total income of the Riga St. Peter's Church was almost 4.0 million euros from 2016 to 2019. However, part of the funds were spent on needs not related to the church.

This study is a compilation of information and facts for the legislator and other stakeholders to make further decisions. Unlike other audits, neither the regularity nor the effectiveness of this expenditure was assessed.

1.5. Results of public sector auditing (20)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (1)

In the spring of 2020, when the government declared a state of emergency due to the deteriorating epidemiological situation, there were audits launched immediately on the use of the allocated funds to limit the spread of COVID-19 and to mitigate the consequences of the emergency.

Purpose of auditing

Audit whether the funds have been requested reasonably and spent for the intended purpose, and provide recommendations to the government and responsible state institutions in areas where the implementation of the planned measures would require improvements. [Read more...](#)

Performed audits

Inspections were performed for 893 million euros (that is, 72% of the 1.24 billion euros allocated and 92% of the 967 million euros spent) in 14 departments (i.e. 12 ministries, the Social Integration Fund, and the National Electronic Mass Media Council) for 73 activities included in the Cabinet Orders. [Read more...](#)

Breakdown of funding audited by type of support



Support for the national economy, such as investments in state-owned enterprises, real estate expenses, roads, and IT solutions.

Support for the population, such as downtime and other benefits, bonuses for public sector employees.

Expenses to address the epidemiological situation, such as protective equipment and disinfectants.

First analytical overview [Read more...](#)

When starting the audits of the actions of state institutions with public funds during the national emergency, an analytical overview²³ was carried out “Exceptional circumstances caused by COVID-19 and notifications by the competent authorities regarding procurements necessary for containment of the COVID-19 outbreak and deviations from the conformity assessment of goods” on the response of the competent authorities at the global and regional level to the exceptional circumstances caused by COVID-19, which characterizes the scale of the caused crisis and may help in understanding the decisions taken by the Latvian government regarding the organization of purchases of goods necessary to curb the COVID-19 outbreak and deviations from the conformity assessment of goods under emergency conditions.

1.5. Results of public sector auditing (21)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (2)



Delivery process of personal protective equipment (protective face masks and respirators) in the health sector

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The State Audit Office concludes:

The Ministry of Health had 11.7 million euros available for the purchase of personal protective equipment from contingency funds. The State Audit Office assessed the process of purchasing personal protective equipment (protective masks and respirators) in the health sector from the beginning of March 2020 until the moment when the defence sector took over.

In the process of delivering protective equipment by the health sector, one-person decisions have been made in several cases; there was a lack of transparency in explaining the evaluation criteria of suppliers, which, in its turn, leads to suspicions of a possible risk of corruption.

The State Audit Office recommends:

One of the urgent issues that should be on the government's agenda after the state of emergency is the adoption of a current National Civil Protection Plan, which is three years out of date for Latvia. The updating of the National Disaster Medicine Plan, which the Emergency Medical Service should do every year is also delayed by the Ministry of Health. Funding for the replenishment of the material reserves was last allocated in 2018, but the new classification of state material reserves, which should have been approved by 1 April 2020, has not yet been drafted. In turn, the old one is no longer valid and therefore, Latvia does not currently have such an essential document in force.



Has funding from the state budget program "Contingency Funds" for repairs in hospitals been requested for unforeseen needs unplanned in the annual budget?

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The State Audit Office concludes:

The Ministry of Health (National Health Service) was allocated 1,3 million euros from the budget program "Contingency Funds" on 5 May 2020, wherefrom 659.3 thousand euros were spent on the restoration of the water supply system in the Latvian Oncology Centre and 664,221 euros on replacement of the roofing and balcony load-bearing structure of the Pauls Stradiņš Clinical University Hospital Block 15. The State Audit Office is critical of the justification provided by the Ministry of Health for the urgency of allocating funding and linking it to limiting the spread of COVID-19. There is no reason to question the need for those repairs in both hospitals, however hospitals had to plan the repairs and the necessary funding in good time to avoid risks to the safety of the buildings' operation and avoid harm to the users and passers-by of the buildings.

The State Audit Office recommends:

The Ministry of Health to evaluate the validity of the request for financing a specific measure and to identify information comprehensively on the total necessary financial resources and their source for the full completion of this measure before forwarding funding requests to the Cabinet for allocation of funds from the state budget program "Contingency Funds".

1.5. Results of public sector auditing (22)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (3)



Provision of bonuses to medical practitioners and other healthcare workers related to the COVID-19 outbreak

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The State Audit Office concludes:

When analysing the requirements and criteria specified in the order of the Minister of Health in connection with the actions of heads of institutions in granting bonuses to medical practitioners and employees for working under COVID-19 conditions, the State Audit Office concludes that the requirements for hospitals and healthcare sector institutions, including the State Emergency Medical Service, in assessing the involvement of employees were ambiguous and created an excessive administrative burden. Hospitals did not have a common understanding of how to assess employee involvement in the treatment of COVID-19 patients or in addressing and mitigating COVID-19 issues by separating it from time devoted to core responsibilities. Therefore, employees of inpatient treatment institutions were granted different bonuses or no bonuses for equivalent work. In turn, the contribution of GPs (general practitioners) did not actually have to be assessed and all GPs were granted fixed bonuses for working under the COVID-19 conditions.

The State Audit Office recommends:

Already during the audit, on 30 October 2020, the Ministry of Health was provided with an assessment and a call to take into account the audit findings when deciding on the conditions for determining the bonuses for the next period.

When setting the criteria for determining benefits, the Ministry of Health shall not create an excessive administrative burden for medical and healthcare institutions by ensuring control over the observance of the criteria specified in the order at the same time.



Solidity and use of the requests for additional funds to increase the fixed capital of the state-owned enterprises managed by the Ministry of Health to cover the costs incurred due to the COVID-19 outbreak.

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The State Audit Office concludes:

The Ministry of Health has spent the funds allocated in the amount of 14.9 million for the intended purpose by investing in the fixed capital of the Riga East Clinical University Hospital, the Pauls Stradiņš Clinical University Hospital, and the Children's Clinical University Hospital in 2020. There was assurance obtained that the hospitals had purchased medical devices included in the approved list with insignificant deviations (0.7%) in 2020. The hospitals will use the savings of 1.9 million to purchase other non-listed medical devices and equipment. At the same time, one should emphasise that the decentralized approach to purchase the equipment required by hospitals for the provision of healthcare to COVID-19 infected patients has resulted in a situation where the choice of medical devices is left to the responsibility of each hospital, with no one undertaking the responsibility at the national level. Although the Ministry of Health has indicated that joint procurement to purchase hospital devices would not be as effective as possible, the auditors point out that the decentralized approach has resulted in higher costs.

The State Audit Office recommends:

When investing in the fixed capital of the state-owned enterprises, the Ministry of Health should choose a type of increasing fixed capital that ensures the use of funds for the specific purpose as accurately as possible and assess whether the approach to decentralize procurement procedures in state-owned enterprises safeguards the most economic use of the funds.

1.5. Results of public sector auditing (23)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (4)



Use of the funding allocated to the Ministry of Finance for payment of downtime benefits

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The State Audit Office concludes:

The payment of downtime benefits was entrusted to the State Revenue Service, by earmarking 101.8 million euros from the state budget. Although the term of payment of benefits was almost twice as long as the originally planned two months and the circle of beneficiaries was expanded over time, less than 54 million euros or 53% of the initially planned funding were disbursed. When examining the compliance of the granting of the downtime benefits with the intended purpose and laws and regulations, the State Audit Office did not identify any significant discrepancies but pointed out several shortcomings in the laws and regulations. For example, amendments to the Cabinet Regulations stipulating downtime benefits aimed at expanding the circle of downtime benefit recipients. However, due to one amendment including new downtime benefit recipients, others were excluded from the range of potential beneficiaries of downtime benefits and unequal conditions for receiving downtime benefits have been created for various groups of people.



Use of the funding allocated to the Ministry of Welfare for payment of unemployment assistance benefits and new specialist benefits

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The State Audit Office concludes:

An unemployment assistance benefit of 180 euros per month was introduced to support unemployed people who have not found a job and are not engaged in economic activity since the end of the unemployment benefits due to the emergency declared by COVID-19. The new specialist benefit of 500 euros per month was intended for those unemployed who had obtained a higher education in the year before the declaration of the emergency and who were not entitled to unemployment benefits because their insurance period and/or state social insurance contributions for unemployment were insufficient to receive unemployment benefits. Both benefits were to be paid to individuals for four months. To ensure the payment of benefits, it was estimated that a total of 36.9 million euros would be required from the state budget program "Contingency Funds". In fact, only 14% of the estimated funding was needed to provide both benefits. Although deviations have been identified in the planning of the necessary funding, the audit obtained assurance that the funding allocated for the payment of both benefits has been used in accordance with the laws and regulations in 2020. At the same time, when analysing the actual expenditure of the unemployment assistance benefit, it should be noted that the unemployment assistance benefits granted to some individuals exceeded the previously granted unemployment benefit significantly.

1.5. Results of public sector auditing (24)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (5)



The use of funding allocated to the Ministry of Welfare for the payment of bonuses to downtime benefits for each dependent child, and downtime support benefits, as well as supplements to the downtime support benefit payments

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The State Audit Office concludes:

Although the audit has identified deviations in the planning of the necessary funding, it has ascertained that the funding allocated for the provision of those activities, bonus to downtime benefits of 50 euros for each dependent child, downtime support benefits, and bonuses thereto, have been used under the laws and regulations. Yet, it is not clear why the government defined those types of support as separate services by entrusting them to the State Social Insurance Agency. A much more productive result would be achieved if the government entrusted the administration of those benefits to the State Revenue Service by including them among the downtime benefits.

The State Audit Office recommends:

During the audit, a proposal was submitted to the Cabinet of Ministers to, when introducing new types of support and determining which institution to administer the newly introduced support in the future, assess what data would be needed to grant support and which institution would be able to provide the support most productively by achieving the same result using fewer resources and thus preventing the administration of one type of support to be divided among several institutions.



The use of funding allocated to the Ministry of Welfare to co-finance the crisis benefit paid by local and regional governments

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The State Audit Office concludes:

Only 8% of the estimated funding has been used to co-finance the crisis benefits out of the planned 4.3 million euros from 14 March 2020 to 31 July 2020. The non-fulfilment of the planned financing was influenced by the fact that it was impossible to forecast how many individuals would actually need the benefit. Moreover, the amount of the benefit in a crisis was also unpredictable because determining its amount was up to the local and regional governments.

Although the audit assured that the additional funding was used for the intended purpose, it also concluded that people at an equal income level did not have the opportunity to receive equivalent support, as the local and regional governments determined its amount from 30 euros to 150 euros per month. In addition, the approach to providing support by social services differed.

To define a specific action to be taken by local and regional governments, the Ministry of Welfare was informed of the audit findings already during the audit by contributing to the development of guidelines for local and regional governments so that from 9 November 2020, when the state re-declared a state of emergency, the benefit would be granted according to the purpose and common criteria.

1.5. Results of public sector auditing (25)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (6)



The use of the funding allocated to the Ministry of Welfare for payment of continued parent benefits, extraordinary bonus to national family benefit for a disabled child, and increased childcare benefits

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The State Audit Office concludes:

During the state of emergency declared in the spring, the Ministry of Welfare had to carry out three new activities: payment of continuation of parental benefits to parents who could not return to work due to the emergency, payment of a one-time supplement of 150 euros to family benefit for disabled child, and payment of an increased childcare benefit for a child aged one and a half to two years from 42.69 euros to 171 euros per month.

Although the audit identified shortcomings in the planning of funding for the payment of support, the audit verified that the allocated funding for the provision of all three activities: continued parent benefit, extraordinary bonus to national family benefit for disabled child, and increased childcare benefit for a child aged one and a half to two years, has been used in accordance with laws and regulations.



Procurement system established by the Ministry of Defence and procurements carried out during the emergency to curb the COVID-19

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The State Audit Office concludes:

The Ministry of Defence's procedures for procurement in the emergency when the Public Procurement Law was not applied complied with the inter-institutional cooperation algorithm set by the Cabinet of Ministers and the recommendations of the European Union and national competent authorities on extreme urgency. However, the procurement processes going on in the Ministry of Defence cannot be considered rapidly, as the time from the selection of tenderers to the conclusion of the contract could reach 30 or even more days and the procurement process was difficult to administer. The State Audit Office did not obtain sufficient assurance on the compliance of the actions of the responsible authorities with the state budget with the principles of economy and effectiveness, i.e., that the contract was concluded with a tenderer who, at a given moment, could offer the best price for the same quantity and quality of goods and equivalent delivery conditions in all the cases assessed in the audit.

The State Audit Office recommends:

To improve the centralized procurement procedure in the Ministry of Defence so that the most economically advantageous tender criterion is envisaged in accordance with the COVID-19 Infection Spread Management Law and cooperation and information exchange procedure with tenderers is revised, while maintaining the exception not to apply the Public Procurement Law.

1.5. Results of public sector auditing (26)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (7)



Investments in the aviation state-owned enterprises managed by the Ministry of Transport to mitigate the effects of the crisis

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The State Audit Office concludes:

To ascertain the validity and actual use of the requests for additional funds allocated to the Ministry of Transport for the elimination of the COVID-19 consequences, an inspection was performed on the funding allocated to the Ministry for the increase of the fixed capital in aviation state-owned enterprises. In the last financial year, this accounted for a quarter of the total funding allocated to curb the COVID-19 crisis or almost 306 million euros. The national airline JSC “Air Baltic Corporation” (airBaltic) received the largest proportion thereof or 250 million euros.

When assessing the conditions in the aviation sector at the beginning of 2020, one must acknowledge that state support to airBaltic during the COVID-19 crisis can be considered an investment in the national interests, on which the government has made a political decision. The funding was needed to enable airBaltic to overcome the crisis and continue its post-crisis operations successfully without state support at a time when the global aviation industry is facing enormous difficulties.

The State Audit Office recommends:

The oversight of the airline’s operations by the shareholder and the government needs to be strengthened significantly to achieve the funding target and enable airBaltic to operate stably in the aftermath of the crisis, as well as to enable the state to recover its investment within five to seven years. Such non-standard crisis financing also requires special crisis monitoring of the recovery process.



Provision of resources necessary to limit the spread of COVID-19 in state and municipal institutions ²⁴

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As the centralized supply of personal protective equipment organised by the state occurred late, institutions purchased personal protective equipment themselves at their own discretion in parallel with the centralized procurement. Such procurement was cumbersome for each institution and created unnecessary mutual competition, as there was a shortage of goods on the market and their prices rose sharply. In general, this procurement process was very labour-intensive in all institutions, and due to the lack of timely, clear, and uniform guidelines for resource planning, each institution prepared information on the necessary means of protection based on different principles.

Coordination issues among different levels of public administration have been recognized as very important in COVID-19 crisis management and consequence management. Purposeful action of government institutions is required, not only in setting requirements, but also in organizing and coordinating the implementation of the adopted decisions in practice. Although one can acknowledge that the capacities of countries to prepare for the COVID-19 pandemic was limited, there are countries that have been relatively more successful in curbing the spread of COVID-19.

The State Audit Office has sent a letter to the Prime Minister drawing attention to the findings that should be taken into account in the implementation of COVID-19 control measures or similar events in the future, coordinating the provision of the necessary resources.

1.5. Results of public sector auditing (27)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (8)



The use of additional funding allocated to the Ministry of the Interior for the purchase of personal protective equipment and disinfectants

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The State Audit Office concludes:

When examining the use of additional funding allocated to the Ministry of the Interior from the budget program “Contingency Funds” for the purchase of personal protective equipment, disinfectants, and their packaging during the audit, the auditors could not assess whether the supplier selection process met pre-defined criteria understandable to all parties involved. When examining the documents submitted by the audited entities, the Provision State Agency and the State Police, and the information provided by officials, one could not verify that any criteria would be used in selecting potential partners and evaluating submitted tenders, as the tender evaluation process was only partially documented. Consequently, not all decisions made in the process of purchasing personal protective equipment are traceable and the procurement process cannot, on the whole be considered transparent. At the same time, there was confidence gained that the purchases were made in late March and early April 2020, when there was a limited supply of personal protective equipment and disinfectants on the market and under conditions of urgency.

No recommendation is made to the Ministry of the Interior, considering the measures taken to establish state material reserves, from the stocks whereof the institutions subordinated to the Ministry of the Interior will also receive personal protective equipment, disinfectants, and other emergency goods.



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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The State Audit Office concludes:

An examination of the procedure for calculating bonuses revealed that the bonuses were not in all cases calculated fairly pursuant to the work actually invested. Therefore, one cannot state that officials have also received equal pay for equal work. Although the procedure for determining the amount of bonuses used by the State Police and the State Border Guard provided for detailed accounting of the time worked when an official was in direct contact with the COVID-19 infected, potentially infected or individuals of vulnerable groups, the algorithm used for calculation did not provide the calculation of bonuses in proportion to the time actually worked under extraordinary conditions. For officials, who had worked a small number of hours under emergency conditions compared to other officials, the amount of the bonus was increased unjustifiably, while for officials who had worked for an entire or almost a month, it was reduced. There are cases identified where an official has received a bonus of up to 10 times higher for the same number of hours worked under emergency conditions than another official has received for the same contribution.

The State Audit Office recommends:

A recommendation was made to the Ministry of the Interior to ensure that officials receive fair pay for their work in proportion to the time worked in direct contact with the COVID-19-infected, potentially infected, or at-risk individuals. During the audit, the recommendation was implemented and the bonuses were recalculated for 449 officials of the State Police and 576 officials of the State Border Guard.

1.5. Results of public sector auditing (28)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (9)



The use of the funding allocated to the Ministry of Justice for transferring to the Latvian Council of Sworn Notaries

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The State Audit Office concludes:

When assessing the justification for the transfer of funds allocated to the Ministry of Justice to the Latvian Council of Sworn Notaries, the auditors have concluded that the Latvian Council of Sworn Notaries as the owner of the state information systems, namely, the Register of Inheritances and the Register of Last Wills and Testaments, performs a non-typical function for the Council, that is, the Council maintains the state information systems at its own expense although the Law on State Information Systems stipulates that the maintenance of state information systems is the duty of the State and they must be maintained from the state budget funds. At the same time, the explanation of the Latvian Council of Sworn Notaries that support is needed for the purchase of a new server allows us to conclude that the problems related to the lack of server capacity and the urgency of its replacement were known even before the emergency.

The State Audit Office recommends:

Eliminate the risk related to the continuity of operation of the state information system included in the Notary Information System, that is, the Register of Inheritances and the Register of Last Wills and Testaments, and the protection of information crucial for the state.



The use of the funding allocated to the Ministry of Justice for the payment of crisis benefits to clergy and ministerial staff of religious unions (churches)

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The State Audit Office concludes:

The Ministry of Justice concluded agreements with six religious unions (churches) and transferred the additional funding allocated from the budget program "Contingency Funds" for the payment of crisis benefits in the amount of 232,800 euros. The audit performed shows that crisis benefits for clergy and ministerial staff have been paid in accordance with the conditions specified in the agreement with the Ministry of Justice. Religious organizations reported on the funds spent.



The use of the funding allocated to the Ministry of Justice for bonuses for the Prison Administration staff who have been directly involved in curbing the spread of COVID-19

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The State Audit Office concludes:

The Prison Administration has granted bonuses to employees of the institution using the criteria set by the Cabinet of Ministers, which, in the understanding of the officials of the administration, were binding for the duties performed by the employees of the administration in connection with work in high risk and high intensity working conditions. The audit findings show, at the same time, that the procedure for granting bonuses in the administration was not well-organized, as most employees received those bonuses only in September 2020 and some even in October, that is, four months after the Cabinet Order on the allocation of funds.

1.5. Results of public sector auditing (29)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (10)



Providing a distance learning process during the emergency

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The State Audit Office concludes:

The municipalities handed over most of the smart devices purchased by the Ministry of Education and Science and received as donations to the learners to ensure the distance learning process. However, at least 295 smart devices worth 28.7 thousand euros purchased by the Ministry were not handed over to learners, but remained at the disposal of individual local or regional governments because the Ministry had not ascertained whether the relevant local or regional government needed them to the extent indicated in the initial survey organised by the Ministry. One detected that a payment of 475 euros was made for unreceived sign language interpretation for 13 lectures in the project “*Tava klase*” (Your class).

The State Audit Office recommends:

Recover the state budget funds of 475 euros, which have been paid for non-received sign language interpretation for 13 lectures within the project “*Tava klase*”.



The funds allocated to economic recovery for the implementation of road projects

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The State Audit Office concludes:

The annual financing planned for the national roads in the state budget constitutes from 183 to 213 million euros and approximately 250 million euros together with the European Union funding per year.

To stimulate the recovery of the Latvian economy after the end of the emergency and to improve the condition of the national roads, there were 75 million euros allocated from the state budget program “Contingency Funds” to road projects. Thus, the total funding available for state roads reached 325 million euros in 2020. The government made the decision taking into account the poor condition of state roads, as 37% of asphalt-paved roads and 51% of gravel-paved roads were considered in bad and very bad condition in 2019.

96.7% of the total funding allocated was actually spent by the end of 2020. The funds allocated and used for the implementation of road projects have been used for the intended purpose and the allocation and use of additional funds has served as a solution for economic recovery and stimulus in entirety.

It has also been concluded that, given the limited period of time from the adoption of the Cabinet decision on the allocation of additional funding until the deadline of 31 December 2020 for the acquisition of funding, the state-owned “*Latvijas Valsts ceļi*” Ltd, in choosing sections of state roads for improvements, has deviated from the activities set in the State Road Improvement Program for 2014–2023 and from the approaches set for its implementation.

The State Audit Office draws attention to the fact that ensuring a systemic approach for the improvement of national roads is essential to implement public interests while observing the principle of coherence of development planning and budget planning documents for meeting the public interests and facilitating the development planning objectives in improving national roads.

1.5. Results of public sector auditing (30)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (11)



Allocation and use of the funds from the state budget program “Contingency Funds” for media support to mitigate the consequences of COVID-19 crisis

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The State Audit Office concludes:

When allocating the funds to the Social Integration Fund for media support, the Cabinet of Ministers has not set criteria for allocating funding to the media in either internal or external laws or regulations. This situation differs from other solutions for mitigating the consequences of the COVID-19 crisis. Although the Social Integration Fund required the media to justify the reduction in income with a statement of account revenues, the decrease in revenue certified by applicants in at least 88 project applications in the respective periods out of a total of 110 project applications did not correspond to the reduction in income reported to the State Revenue Service.

The State Audit Office recommends:

The Social Integration Fund shall improve the control over the allocation and use of funding for programs financed from the state budget. The Cabinet of Ministers is recommended to establish common criteria for allocating funds for further support of the mass media from the state budget program “Contingency Funds” to mitigate the consequences of the COVID-19 crisis while encouraging to entrust the administration of funding to one state institution.



The use of the funding allocated to electronic mass media in relation with the COVID-19 crisis

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The State Audit Office concludes:

There were 1.2 million euros allocated to the National Electronic Media Council for media support to ensure the widest possible awareness of the Latvian population and effective information and education of the public in connection with COVID-19, and the opportunity for the public to receive comprehensive information and opinions. In general, the National Electronic Media Council conducted the call for tenders in accordance with the tender regulations. However, some shortcomings have been identified in the tender process that do not promote transparency in the allocation of state budget funds, for example, the National Electronic Media Council did not check whether the tenderer statements contained true information about the reduction of decreased advertising revenues of tenderers.

The State Audit Office recommends:

A proposal has been submitted to the Cabinet of Ministers on defining a common approach for allocating funds to further support the media from the state budget program “Contingency Funds” to overcome the consequences of the COVID-19 crisis, while encouraging to entrust the administration of funding for electronic mass media to one state institution.

1.5. Results of public sector auditing (31)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (12)



Financing for the state-owned enterprises managed by the Ministry of Culture for stabilisation of the financial situation and arrangement of the infrastructure

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The State Audit Office concludes:

In June 2020, the Cabinet of Ministers allocated almost 6 million euros to the Ministry of Culture to compensate the share of remuneration expenses of state-owned enterprises, while the state-owned enterprises managed by the Ministry of Culture received a total of 40.8 million euros from the state budget in 2020. Thus, the state budget financing accounted for 89% of the total revenues of state-owned enterprises. Nobody doubts that the state-owned enterprises managed by the Ministry of Culture required additional financial support to stabilise their financial situation, nevertheless, given the large share of the annual general government budget grant in the revenues of those state-owned enterprises, the set goal of using the additional allocated funding, for remuneration expenses, is considered a formal one. The state-owned enterprises have spent almost 6 million euros to cover reimbursement expenses. At the same time, the Ministry of Culture, as a 100% shareholder, has not taken sufficient action to provide as equal financial support as possible to the state-owned enterprises it manages during the emergency, when their activities were limited and additional financial support was required.

The State Audit Office recommends:

In case the crisis requires the Ministry of Culture to provide additional financial support to the state-owned enterprises it has established in 2021, one shall develop criteria that are understandable to all stakeholders to determine the additional funding required. The Ministry of Culture must also submit an informative report to the Cabinet of Ministers on the use of additional funding allocated for measures to curb the COVID-19 crisis and for economic recovery in accordance with the planned target for 2020 and the progress of implementation in 2021.



The use of the funding allocated to the target program “Employment Program for Creative People” of the National Culture Capital Fund

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The State Audit Office concludes:

The Cabinet of Ministers allocated a total of 2.1 million euros from the state program “Contingency Funds” to finance the target program “Employment Program for Creative People” established by the National Culture Capital Fund, whereas 95% of the total allocated funding were spent by providing support to 836 creative people or 70% of the initially forecasted number of individuals. There is no doubt that the funding request for the program has been justified. There is assurance obtained that the allocated funding has been used in accordance with the set general objective, however, attention should be drawn to several deficiencies in the criteria for assessing the income of creative people, the process of evaluating project applications submitted by creative people, and the audit also points to incompliance in terms of the funding disbursed and the regulation of the employment program for creative people.

The State Audit Office recommends:

The National Culture Capital Fund to improve the process of organising calls for projects for the grants of support programs and to include such requirements and criteria in the regulations that are clear and can be checked before the decision on granting funding is made, whereas when assessing the income of people, to ensure a logical and sequential process: to submit only such project applications that have been recognized as meeting the relevant administrative criteria for expert evaluation.

1.5. Results of public sector auditing (32)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (13)



The use of the funding allocated to the target program “Sustainability of Cultural Institutions Affected by COVID-19” of the State Culture Capital Fund

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The State Audit Office concludes:

The State Culture Capital Fund implemented the target program “Sustainability of Cultural Institutions Affected by COVID-19” in three tenders from July to December 2020 by spending 2.4 million euros in total or almost 100% of the total funding allocated to compensate 139 businesses, associations, and foundations for the current expenses incurred from March to December 2020. There is no doubt that funding for the implementation of the target program “Sustainability of Cultural Institutions Affected by COVID-19” has been requested reasonably and spent for the intended purpose but one should pay attention to several deficiencies in the required documents and their form to be submitted by tenderers, particular evaluation criteria, and the way of organising the target program itself.

The State Audit Office recommends:

In the continuation of the target program “Sustainability of Cultural Institutions Affected by COVID-19” in 2021, the State Culture Capital Fund shall review and clarify the documents to be submitted by target program applicants in cooperation with the service providers and industry involved in evaluating tenders to reduce the administrative burden. Also, in case the crisis requires new support for the cultural sector, the Ministry of Culture shall choose the type of support instrument appropriate to the nature of the support by avoiding an unreasonably large administrative burden.



The funds allocated to the Ministry of Economics for transfer to the reserve capital of Joint Stock Company “Development Financial Institution Altum” to support economic operators in mitigating the consequences of the COVID-19 crisis

[Read more...](#)

The State Audit Office concludes:

Having completed the audit of 190 million euros allocated to the Ministry of Economics, which one intends to transfer to Joint Stock Company “Development Financial Institution Altum” (ALTUM) from the state budget, we conclude that not all of the sum of the investment into ALTUM was justified. This amount was allocated in five programs to support economic operators in the difficulties stemming from the outbreak of COVID-19. We must admit that there is also no clarity about the possible action to be taken with any balance of funds remaining after the end of the loan and guarantee programs when the businesses will have repaid the loans and the term of the guarantees will have expired.

The State Audit Office recommends:

Provide transparent, up-to-date, and complete information on the expenditure and revenues of state support programs mitigating the consequences of the COVID-19 crisis, and on the support provided to specific economic operators and its amount so that the public can gain confidence in the responsible and effective management of state budget funds.

1.5. Results of public sector auditing (33)

1.5.3. Work of the State Audit Office during the COVID-19 pandemic (14)



Validity and use of the requests for additional funding allocated to the Ministry of Agriculture for state support to agriculture to decrease the adverse effect of the COVID-19 outbreak

[Read more...](#)

The State Audit Office concludes:

To overcome the crisis caused by COVID-19 and mitigate its consequences, the government allocated 45.5 million euros from the state contingency budget to support the agricultural and food production sectors in 2020. The allocated 35.5 million euros were audited, which, based on the calculations of the Ministry of Agriculture, were provided for three support programs and of which 84% was spent. The calculations of the Ministry of Agriculture were based on the occurrence of a significantly more negative scenario than later transpired. The actual decrease in revenue of the supported sectors was not at all as large as initially forecasted by the Ministry. Consequently, support payments from the state budget not only compensated for a decrease in sectoral revenues but even increased revenues in certain agricultural sectors compared to the corresponding periods of previous years.

The State Audit Office recommends:

In light of the European Commission's guidelines stipulating that rescue and restructuring aid is one of the most economically and competition-distorting forms of state aid, the State Audit Office invites the Cabinet of Ministers to assess the conditions of state aid provided to the sectors more thoroughly in the future to prevent potential adverse effects and facilitate the effectiveness and solidarity of public spending.

1.5. Results of public sector auditing (34)

1.5.4. Implementation of audit recommendations

Strategic priority: The impact of audit recommendations is significant and visible to the public.

Rate of Return

Rate of return for 2020 – 1:4.

Estimated impact was 26,461,814 euros in 2020, while total expenditure of the State Audit Office by cash flow was 6,675,132 euros.

Impact of audit recommendations of the State Audit Office:

Cost reduction/ revenue increase – 7.5 million euros;

Benefit to the population – 19 million euros.

Thanks to the recommendations provided by the State Audit Office, other significant improvements have been achieved in the arrangement of the internal control system of institutions, improvement of the sectoral legal framework, improvement of national and municipal real estate and capital management, compliance with laws and regulations, strengthening the rule of law, etc.

The audit recommendations of the State Audit Office, which should have been implemented in 2020 ²⁵

Sector	Recommendations to be implemented	Recommendations implemented in full	Implementation began
Defence	26	26	
Foreign affairs	2	2	
Economics	19	19	
E-government	2	2	
Internal affairs	14	11	3
Education, science, and sports	14	14	
Culture	17	16	1
Welfare	6	6	
Agriculture, fisheries, and forestry	34	34	
Independent and other institutions	3	3	
Public finances	41	39	2
Regional development and local and regional governments	151	136	15
Justice	15	15	
Transport and communications	15	15	
Healthcare	16	16	
Environmental protection	5	5	

The audited entities have taken actions to implement 92.4% of the recommendations.

Communication on the progress of the implementation of audit recommendations

There is a Recommendations Platform launched on the website of the State Audit Office [Read more...](#)

The Recommendations Platform provides access to recommendations from audits where at least one outstanding recommendation exists. Prior to the publication of the Platform, we presented it to the State Secretaries of the Ministries and the mass media.

A hashtag #PēcRevīzijas (after audit) has been activated on the progress of the implementation of audit recommendations on Twitter and Facebook.

²⁵ Data as of 23 February 2021.

1.5. Results of public sector auditing (35)

1.5.5. Examination of infringements identified in audits

Strategic priority: the responsibility of public sector employees for their actions has been promoted by ensuring that infringements are reviewed, appropriate penalties are applied, and the perpetrators indemnify the damage caused.

Cases on criminal offences ²⁶ [Read more...](#)

During the reporting period, 11 reports on alleged violations of laws and regulations identified during audits were sent to law enforcement bodies.

Progress of cases concerning reports sent in previous periods

Nine complaints were lodged against eight decisions refusing to initiate criminal proceedings

Three complaints have been filed against the three decisions of the investigators to terminate the criminal proceedings.

Submissions were sent to the Prosecutor General's Office regarding two decisions of prosecutors with a request to re-evaluate them.

In 12 cases, additional information and explanations were provided to law enforcement bodies both within the framework of sectoral audits and in criminal proceedings.

In total, after the reports of the State Audit Office on alleged criminal offences detected during audits, the Audit Office follows²⁶ 21 criminal proceedings that are in the pre-trial criminal proceedings stage and eight criminal proceedings that are at the trial stage (four in the first instance court, three in the appellate instance, one in cassation).

A podcast "Cooperation of the State Audit Office with Law Enforcement Bodies" has been produced. [Listen here...](#)

Cases on administrative violations ²⁶ [Read more...](#)

There were five reports on alleged administrative violations identified during audits sent, including three violations were reported to the Corruption Prevention and Combating Bureau, and two violations were reported to the Procurement Monitoring Bureau.

Results of the examination of infringements detected during audits

The Corruption Prevention and Combating Bureau, regarding the 2020 reports, fined five individuals, reprimanded two individuals, and fined 19 individuals and reprimanded 45 individuals regarding the reports sent in 2019.

The Procurement Monitoring Bureau terminated one administrative violation proceeding and refused to initiate one proceeding.

Disciplinary cases ²⁶ [Read more...](#)

The audited entities and their superior institutions or officials were provided with information related to 20 various infringements identified in 9 audits.

The results of assessing liability

In one case, the infringement is not recognised but the funds unduly paid are reimbursed.

In two cases, disciplinary liability has not been imposed on an individual, but the funds have been reimbursed in the amount whereon an infringement of the law has been established.

Seven individuals were reprimanded, five individuals were reproofed, and six individuals were remarked.

The employment or service relationship was terminated with nine individuals.

1.6. Auditing organisation and support processes

Strategic priority: The audit methodology and practice of the State Audit Office complies with international auditing standards and good practice fully.

The State Audit Office has developed audit methodology in accordance with international standards on auditing and international instruments of supreme audit institutions. [Read more...](#)



The State Audit Office has been a member of the Framework for INTOSAI Professional Pronouncements (FIPP) from January 2017 to March 2021. Participation with voting rights in the approval of international standards on public sector auditing and/or amendments thereto. [Read more...](#)

Novelties in auditing methodology and auditing organisation

The new wording of the **Performance Audit Methodology** has been approved. It lays down standardized procedures “What to do?” and minimum requirements for documentation of a performance audit, as well as explanations “How to do it?” to ensure compliance with auditing standards in the work of the State Audit Office and to facilitate best auditing practice.

Due to the COVID-19 pandemic, significant changes in the organisation of audit work occurred such as remote communication with the audited entities and obtaining evidence by connecting to the information technology systems of the audited entities.

Cooperation with certified auditors and internal auditors continued. For the third year in a row, cooperation with internal auditors in the form of direct assistance within the framework of the audit of the annual report continues.

Self-assessment questionnaires [Read more...](#)

Audit “Are the preconditions for the compliance of the buildings commissioned in the management and control of local and regional governments with the safety requirements being met?”. [Read more...](#)

To local and regional governments regarding safety control of commissioned buildings.

To local and regional governments regarding the management of multi-apartment buildings.

To local and regional governments regarding the management of non-residential buildings.

Check whether everything has been done to keep your house safe and long lasting!

Audit “Does the wastewater collection, discharge, and treatment system established in the country ensure the protection of the environment against the harmful effects of urban wastewater?”. [Read more...](#)

[Read more...](#)

To local and regional governments regarding wastewater management.

Audit “Does the Talsi Regional Government manage municipal enterprises according to the principles of the rule of law and best practice?”. [Read more...](#)

To the members of the Board of municipal enterprises regarding the evaluation of the governance of municipal enterprise.

To the shareholders of municipal enterprises regarding the evaluation of the governance of municipal enterprise.

Auditing support tools



Sampling of transactions; identification of atypical data values; verification of calculations.



Analysis of geospatial data



Employee time planning; documentation of the audit process; actual working time recording of employees; documentation of the implementation of recommendations.



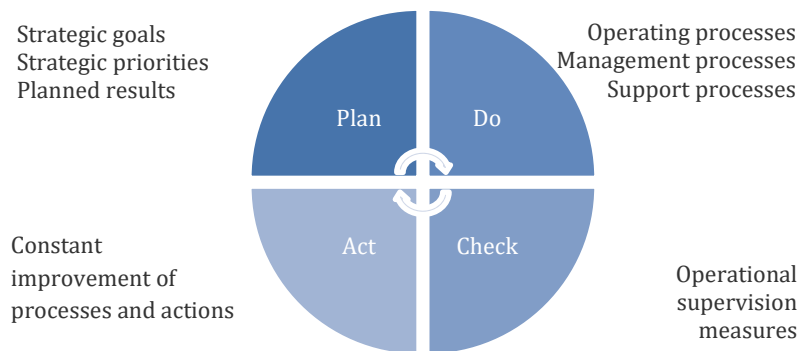
Creation of audit files; Archiving of audit files.

1.7. Quality management and internal control systems

Strategic priority: The work organisation of the State Audit Office as an institution is a model for other state and municipal institutions.

There is a quality management system of the State Audit Office established based on the international standard LVS EN ISO 9001: 2015 "Quality Management Systems. Requirements (ISO 9001: 2015)" adopted in Latvia. It ensures the direction and management of the work of the State Audit Office, it consists of the entire documentation approved by the State Audit Office determining the sequence of work processes, their interrelation, control procedures, cooperation and responsibility of employees, quality requirements for the performance, thus providing for continuous quality control of audits and promoting the improvement of the institution's operation in general.

In its activities, the State Audit Office applies a process approach based on the principle "Plan – Do- Check – Act".



Quality control and management

Quality control of draft audit plans and draft reports – compliance of audits with international standards and best practice; increase in the impact of audits and value of audit results for each conducted audit.

Audit quality control – assurance of compliance with standards and identification of best practice (for randomly sampled audits).

Internal audit – providing an assessment for improvement of operation and efficiency of the internal control system (pursuant to the plan for the performance of internal audits and compliance checks).

Compliance checks – providing an assessment of the descriptions of the working processes of the State Audit Office, internal and external laws and regulations, and the requirements of the ISO standard (pursuant to the plan for the performance of internal audits and compliance checks).

Assessment of the quality management system – providing an assessment of the work organization of the State Audit Office in nine areas directly or indirectly related to quality management (according to INTOSAI *Development Initiative's SAI Performance Measurement Framework* ²⁷).

Self-assessment of the quality management system – preparation of assessment of system compliance with the requirements of ISO standard (once a year).

Analysis of contributions, performance results, and indicators – Assessment of the implementation of the State Audit Office's operational strategy (semi-annually).

Analysis of performance results and indicators – Assessment of the implementation of the work plan of the State Audit Office (once a quarter).

Corruption risk assessment of the State Audit Office ²⁸ – supervision over the corruption risk assessment of the State Audit Office and the specified measures for the reduction or prevention of corruption risks.

²⁷ Additional information: <https://www.idi.no/work-streams/well-governed-sais/sai-pmf>.

²⁸ According to Cabinet Regulation No 630 "Regulations on the Basic Requirements of the Internal Control System for the Prevention of the Risk of Corruption and Conflict of Interest in a Public Entity Institution".

2. International cooperation

2.1. International activities

2.2. International projects

2.1. International activities (1)

Strategic priority: The State Audit Office is an internationally recognised centre of excellence for public sector audits.

Framework for international cooperation

International Organization of Supreme Audit Institutions



Member since 1994.
Member of the INTOSAI Framework of Professional Pronouncements.
Member of one working group.
Participation in the INTOSAI Forum of Supreme Audit Institutions with judicial functions.

Full participation in the decision-making process relevant to the profession of public sector auditors regarding the improvement and development of new international standards on auditing. [Read more...](#)

Organization of European Supreme Audit Institutions



Membership since 1995.
Member of the EUROSAI Governing Board.
Member of four working groups.

Opportunity to update issues relevant to Latvia on the agenda of European supreme audit institutions, to participate in the management of the process of professional development of auditors [Read more...](#)

Contact Committee of Supreme Audit Institutions of the European Union



Membership since 2004.
Member of two working groups.
Member of two information exchange networks.
The aim is to strengthen the EU's financial management and good governance, public confidence in public administrations and the role of supreme audit institutions in promoting it. [Read more...](#)

Other membership

In the Rail Baltica working group of the SAIs of the Baltic States;
Board of Auditors of the European Organisation for the Safety of Air Navigation (EUROCONTROL).
Cooperation platform of International Board of Auditors for NATO and Member of the Competent National Audit Body for NATO.

Cooperation mechanisms with other supreme audit institutions

Joint audits in cooperation with Supreme Audit Institutions (SAIs) of other countries

Joint audit on the implementation of the Rail Baltica project performed in cooperation with the Estonian and Lithuanian SAIs. The audit findings were published in the beginning of 2020. [Read more...](#)

Memoranda of Bilateral Cooperation

There are 16 bilateral cooperation agreements signed with supreme audit institutions. [Read more...](#)

Participation in INTOSAI Development Initiative

The State Audit Office is included in the list of IDI donors that provide support (not financial, but expertise in the context of their human resources) to supreme audit institutions of developing countries. [Read more...](#)

Participation in the Movement Peer-to-peer (P2P).

The State Audit Office provides advisory support to SAIs in developing countries. Involvement individual employees in OECD/Sigma and other consulting projects. [Read more...](#) [Read more...](#)

2.1. International activities (2)

Key international cooperation activities

EUROSAI Covid-19 projekta grupa

The State Audit Office leads the subgroup of the EUROSAI Project Group on “Audit of Responses to COVID 19 Pandemic” on the role and efficiency of supreme audit institutions during the COVID-19 crisis. Together with colleagues from the British, Swedish, and Finnish Supreme Audit Institutions or the design team, policies and deliverables have been developed, including work on a survey of European and national supreme audit institutions on the challenges of internal and external communication during the COVID-19 pandemic.



Participation in the 51st Meeting of EUROSAI Governing Board online which decided on ensuring the continuity of organizations' operation and other key matters.

[Read more...](#)



Participation in the 52nd Meeting of EUROSAI Governing Board online. The agenda focused on topical issues, such as the approval of the EUROSAI Portfolio on communication, the vote on the membership of the Kosovo Supreme Audit Institution in EUROSAI, the reports of working and project groups, etc. as much as possible.

[Read more...](#)



Participation in the EUROSAI – OLACEFS Conference, where the State Audit Office presented its experience in cooperating with the government on the COVID-19 pandemic issue.



In 2020, online meetings and work on the development and improvement of INTOSAI professional auditing standards.

[Read more...](#)



At the SAI Finland, IntoSAINT self-assessment to assess the ethics and integrity management system. A representative of the State Audit Office led the self-assessment together with representatives of the Supreme Audit Institutions of Georgia and Serbia. [Read more...](#)



Providing training to the Supreme Audit Institution of Laos. Under the signed Memorandum of Understanding, workshops on the experience of the State Audit Office in working with International Standards on Auditing (ISSAI), performance audits, monitoring of implementation of recommendations, cooperation with the Parliament, development of strategy, provision of support functions, and international experience provided.

2.2. International projects (1)

European Social Fund project “Professional development of public sector auditors in streamlining the business environment, prevention of corruption, and reduction of shadow economy”

NACIONĀLAIS
ATTĪSTĪBAS
PLĀNS 2020



EIROPAS SAVIENĪBA

Eiropas Sociālais
fonds

IEGULDĪJUMS TAVĀ NĀKOTNĒ

Project budget: 300,000 euros

(incl. ESF funding of 255,000 euros and state budget funding of 45,000 euros).

Implementation period: from January 2017 to September 2020. The State Audit Office as a beneficiary.

Target: professional development of staff involved in public sector auditing taking into account the preventive role of audits in identifying and mitigating corruption risk and other risks affecting economic development. [Read more...](#)

Implemented activities: (1) specialised training in specific support target: training workshops “Data analysis in financial auditing” and “Use of e-learning environment tools” (professional development of 64 auditors provided); (2) implementation of a coordinated training cycle for auditors: organization of practical workshops and trainings in cooperation with public sector internal auditors, implementation of an inter-institutional training program in application of ISSAI standards (professional development of 53 public administration internal auditors ensured); (3) transfer of international experience and best practice; and (4) implementation of individual professional development activities of audit teams: three pilot audits involving independent industry experts in energy, public administration reform, and economic crime.

An independent assessment of the effectiveness and impact of European Social Fund investments in the development of public administration and professional development of employees for specific support target projects has been performed. [Read more...](#)

Project “Strengthening the institutional capacity of the Supreme Audit Institution of Georgia”



Project budget:

2.18 MEUR (Funding from the EU).

Implementation period: From January 2017 to May 2020

Project is implemented by GFA, Consulting Group GmbH, Deutsche Gesellschaft für Internationale Zusammenarbeit - International Services (GIZ), and the State Audit Office of the Republic of Latvia.

Target: To support the capacity of the SAI Georgia to conduct financial audits and compliance audits, as well as to strengthen institutional capacity, including adherence to the principles of independence in order to align its activities with EU SAIs' best practices and international standards on auditing. [Read more...](#)

Implemented activities: (1) involvement of the State Audit Office experts in the development of the code of conduct and organisation of training has been ensured; (2) support for the use of IT in auditing and the development of the necessary procedures; (3) support in the development of the methodology for determining the financial impact of audits, as well as participation in the assessment of the current situation, and the development of the training program.

2.2. International projects (2)

Project “Capacity building of the Supreme Audit Institutions of Ukraine, Moldova, and Georgia in the process of integration of International Standards of Supreme Audit Institutions (ISSAI)”



Ārlietu ministrija



Latvijas Republikas
Valsts kontrole

Project budget: 8,700 euros

(Funding from the state budget of the Republic of Latvia according to the Annual Development Cooperation Policy Plan)

Implementation period: 2020.

The Supreme Audit Institution of Moldova as a beneficiary.

Target: to support the SAI Moldova in its transition to auditing in line with the International Standards of Supreme Audit Institutions.

The involvement of the State Audit Office is considered a significant contribution to the improvement of the external audit environment in Moldova by ensuring progress towards transposing the principles set out in the Association Agreements and international instruments in the field of external audit.

Implemented activities: (1) cooperation with OECD SIGMA experts has been ensured in conducting the international peer review of the Supreme Audit Institution of Moldova; (2) support in the use of IT systems for audits and individual advice to audit team members provided. [Read more...](#)

Project “Capacity building of the Supreme Audit Institution of The Gambia”



Project budget in 2020: 46,000 euros

(INTOSAI Development Initiative funded by the Supreme Audit Institutions of Norway and international donors, *UK Aid, INTOSAI, Austrian Development Agency, and SIDA*).

Implementation period: 2020

The project is implemented by INTOSAI Development Initiative (IDI)²⁹, the State Audit Office of the Republic of Latvia, and the African Organisation of Supreme Audit Institutions (AFROSAI).

The IDI implements various development programs for supreme audit institutions by providing training, development of various tools and instruments for supreme audit institutions, and expertise and support to supreme audit institutions of developing countries in strengthening their capacity.

Implemented activities: (1) participation in the final phase of the 2020 work plan development process; (2) participation in the presentation of the first phase of PAP-APP assessment; (3) participation in the working group for the preparation of the public annual report of the Supreme Audit Institution for 2019; (3) meetings with the responsible committees of the Gambian Parliament, international donors (the World Bank, the African Development Bank, the European Commission Delegation in the Gambia) and national and international civic society organisations in the Gambia; (4) an audit quality control assessment has been initiated; (5) provided support to the Gambia's Supreme Audit Institution in updating the code of conduct.

²⁹ Additional information: <https://www.idi.no/en/>.

3. Communication of the State Audit Office

3.1. Public relations

3.2. Cooperation with the population, the Saeima, and other organisations

3.1. Public relations

Strategic priority: The State Audit Office “speaks” in a language understood by the public and partners and involves the public in the initiatives of the State Audit Office.

Strategic priority: The legislator and the public administration receive support in implementing structural reforms.

Survey data ³⁰: 63% of respondents agree that the audit themes chosen by the State Audit Office are crucial for the public (index of provided assessments is positive +33).

Majority of surveyed ³² Latvian population or 58% agreed to the statement that the work of the State Audit Office made other state institutions work more responsibly (total index of provided assessments is positive +26).

Raising public awareness

The State Audit Office is an institution that exists between at least two large millstones constantly. One millstone is state and municipal institutions and enterprises the activities of which the State Audit Office controls, and the other millstone is the public, which must be informed about the audits performed and violations detected.



New design of the website developed
[Read more...](#)



62 reports and press-releases published on topical issues
[Read more...](#)



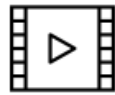
Five press conferences organised and interviews provided



Meetings with the population



12 podcasts produced
[Listen here...](#)



Videos and animations created
[Watch here...](#)



Published posts in social media
[Twitter](#), [Facebook](#), [LinkedIn](#)



Publications in international journals
[Read more...](#)

Meeting of the management of the State Audit Office with state officials

Communication with the Prime Minister and participation in the meetings of the Cabinet of Ministers on support for the control of COVID-19 spending. [Read more...](#)

Meeting with sectoral ministers or their representatives by notifying the political leadership of the sector about significant problems identified, progress in implementing audit recommendations, strengths and weaknesses of the sector and other issues related to the governance of the sector.

³⁰ Contract signed with Public Research Centre SKDS. In November 2020, there was a survey of population "Public Attitude to the State Audit Office" conducted. Total contract sum constituted 1,555 euros (excl. VAT).

³¹ 27% of respondents abstained from giving a specific assessment.

³² 26% of respondents abstained from giving a specific assessment.

3.2. Cooperation with the population, the Saeima, and other organisations (1)

Public involvement

Letters from citizens are one of the criteria when planning audit work.

Cooperation with non-governmental organizations, the represented interests of which correspond to the current audits.

Survey of residents on the management and accessibility of public waters. [Read more...](#)

The LAMPA Conversation Festival: Single Remuneration Law - a step forward or two backwards? [Watch here...](#)

Meeting with the community in Talsi on the audit findings “Does Talsi Regional Government manage municipal enterprises following the principles of the rule of law and best practice?”. [Read more...](#)

Liga Stafecka @StafeckaLiga · Sep 17, 2020
Vai bez @VKontrole vēl kāda valsts iestāde brauc tikties ar iedzīvotājiem un stāsta par sava darba rezultātiem? Lasu, ka Kontrole šodien Talsos stāsta par revīziju. Pēc bildes spriežot, gana daudz apmeklētāju. Gudra un laba prakse!

11:33 AM · Sep 18, 2020 · Twitter Web App

/Liga Stafecka: Does any other state institution apart from the State Audit Office come to meet locals and present the results of its work? I have read that the SAO told about the audit in Talsi today. According to the picture, it seems that there were very many attendees. Wise and good practice!/

Cooperation with the Saeima

A report on the activities of the State Audit Office in 2019 was submitted to the Saeima ³³.

There were 45 meetings of the Public Expenditure and Audit Committee of the Saeima attended. [Read more...](#)

15 other meetings of Standing Committees and Sub-committees of the Saeima were attended.

Participation in the discussion “The Role of the State Council in legislation” organized by the Saeima. [Read more...](#)

An invitation was sent to the Saeima in 2021 not to apply the annual monthly salary indexation provided for in the Law on Remuneration of Officials and Employees of State and Municipal Institutions to the Auditor General and Members of the Council of the State Audit Office. [Read more...](#)

Public Council of the State Audit Office

Involvement of members of the Public Council in auditing, sharing and explaining the audit findings to the public and partners.

Council meetings on the direction of work during the COVID-19 crisis and on auditing the validity of requests for funding from the state institutions for curbing the COVID-19 crisis and the adequacy of its use for the purposes of the allocation in accordance with the laws and regulations applicable to them.

3.2. Cooperation with the population, the Saeima, and other organisations (2)

Educational events and discussions on audits

On the audit “On the Annual Report of the Republic of Latvia on the Execution of the State Budget and Municipal Budgets for 2019” at the Latvian Training Centre for Local and Regional Governments [Read more...](#)

On the audit “Are the preconditions for the compliance of commissioned buildings under the management of local and regional governments with safety requirements being met” at the conference “Housing Safety and Energy Efficiency: Common Issues and Differences” at the Scientific Library of the Riga Technical University and the Latvian Training Centre for Local and Regional Governments. [Read more...](#) [Read more...](#)

On the audit “Has the funding allocated for the implementation of the first stage of the Advanced Readiness Sub-units of the National Guard been used effectively?” at the workshop in Rudbārži. [Read more...](#)

On the audit “Does the system of wastewater collection, discharge, and treatment established in the country ensure protection of the environment against the harmful effects of municipal wastewater?” at the State Audit Office and Latvian Training Centre for Local and Regional Governments. [Watch here...](#)

On the audit “Effectiveness of the out-of-home care system” in the forum “Time for change in the Protection of Children's Rights: How to Succeed?”. [Read more...](#)

On the case study report “ICT environment in local and regional governments while preparing for municipal reform” at Forum ZZ Dats on digital challenges of local and regional governments. [Read more...](#)

Participation of the employees of the State Audit Office also in other discussions/ events on audit findings.

4. Financial resources and priorities

4.1. Financial resources

4.2. Priorities for the next year

4.1. Financial resources

Financial Resources of the State Audit Office

No	Financial indicators	Previous year (actual execution)	Reported year		
			Approved in the Law (forecast)	Approved in the Law (with amendments)	Actual execution
1.	Resources to cover expenditure (total)	6 709 803	6 913 126	6 927 675	6 709 803
1.1.	Revenue from paid services and other own revenue	62 166	0	26 180	62 166
1.2.	Transfers	26 695	0	8736	33 986
1.3.	Grant from general revenue	6 269 639	6 913 126	6 892 759	6 620 942
2.	Expenditure (total)	6 696 887	6 913 126	6 958 485	6 675 132
2.1.	Maintenance costs (total)	6 511 425	6 798 693	6 844 052	6 561 475
2.1.1.	Current expenditure	6 509 148	6 796 164	6 841 523	6 559 163
2.1.1.1.	Remuneration	5 229 820	5 504 393	5 535 129	5 379 701
2.1.1.2.	Goods and services	1 279 328	1 291 771	1 306 394	1 179 462
2.1.2.	Subsidies, grants, and social benefits	320	320	320	320
2.1.3.	Current payments to the European Community budget and international cooperation	1957	2209	2209	1992
2.2.	Capital expenditure	185 462	114 433	114 433	113 657

Priority measures 2020–2022

“Strengthening the impact of the audit results of the State Audit Office on the development of an efficient, accountable, and transparent public administration”.

The aim is to make recommendations with the greatest possible value while auditing key policy areas, the implementation of which shall result in a positive, identifiable or measurable impact, including budget optimization, savings for citizens, improvement of service availability or quality, regulatory change, and an improved decision-making process.

Additional allocation in 2020 and every year thereafter of 262,900 euros.

The additional allocated funding is intended for the motivation of the most competent employees of the State Audit Office (expenses for remuneration) and for the provision of certification of heads of sectors and auditors (expenses for services).

“Provision of international expertise in the audit of the State Audit Office for the assessment of the effectiveness of investigation and prosecution of criminal offences in economic and financial areas”. The aim was to involve international and national experts in the performance audit "Effectiveness of the Investigation and Prosecution of Economic and Financial Crimes" to assess whether the operation of law enforcement bodies and courts in investigations and the fair settlement of economic and financial crimes was effective enough.

Additional allocation in 2020 of 200,000 per expert including OECD's services.

4.2. Priorities for the next year

Priorities for 2021

Development of the Strategy of the State Audit Office 2022–2025.

Assessment of significant compliance issues (transactions, activities, and projects) during financial audits for which funding has been granted and used in an effort to expand the scope of auditing.

Carrying out compliance, performance, and combined audits in areas of public interest, while assessing the possibility of carrying out checks to ensure that the additional funding allocated for curbing the COVID-19 has been used for its intended purpose.

Providing recommendations with a measurable value in money, aiming to achieve a double financial return for each euro invested in ensuring the operation of the State Audit Office.

Informing law enforcement bodies on the infringements of laws and regulations identified in audits and providing support in reviewing audit materials and assessing the infringements identified.

Implementation of the rights specified for the State Audit Office when deciding on the recovery of losses caused due to illegal actions of officials (employees).

Ensuring leadership in the application of ISSAI standards throughout the public sector.

Maintenance of the certification system for the heads of sectors and auditors of audit departments in the appropriate professional quality for the performance of audits by the State Audit Office.

Contact details and social media...



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