

Public Annual Report of the State Audit Office of the Republic of Latvia 2019

Riga, 2020



Latvijas Republikas
Valsts kontrole

Public Annual Report of the State Audit Office of the Republic of Latvia 2019

The report uses images from the website www.depositphotos.com, www.demontaza.lv, www.flaticon.com, and from the personal archives of the auditors.

Dear Reader,



Elita Krūmiņa

Auditor General since 24 Jan 2013,
Chair of the Council of the State
Audit Office,
Awarded with the Order of the
Three Stars and appointed the Grand
Officer of the Order in 2019.

By publishing a report on the activities of the State Audit Office in 2019, I can look back with satisfaction on the work done in the audit work. As every year, we have performed in-depth and systematic audits on issues of public and national significance.

For example, there has been fundamental work done in the audit "Does the country's social inclusion policy achieve its poverty reduction goals?" to identify the reasons why Latvia ranks last fourth among the European Union Member States in terms of the poverty index and to recommend improvements to our social inclusion system. When assessing the construction of the Latvian-Russian border zone in the audit "Has one spent the state budget funds for the construction and maintenance of the border zone infrastructure of the Republic of Latvia legally and achieved the set goals and results?", one has identified both uneconomical and illegal actions. The audit findings will allow improving legislation and saving significant resources in the future construction of the border zone.

The audit report "Human Resources in Healthcare" highlights the challenges that the healthcare system will face due to the growing gap between the supply and demand of healthcare professionals. The number of local and regional governments covered by audits has also been large. At least one audit was performed in 64 local and regional governments in 2019, that is, in more than one half of all the local and regional governments in the country.

The potential of performance audits carried out by the State Audit Office for faster streamlining of the public administration is the greatest, and the State Audit Office has devoted almost half of the resources allocated to such audits in 2019.

The year 2019 marks a significant turning point in the long-term efforts of the State Audit Office to strengthen the responsibility of officials in public administration. After five years of efforts, the 13th convocation of the Saeima (Latvian Parliament) has adopted amendments to the laws, which grant the State Audit Office the right to initiate the recovery of damages against officials whose violations have caused damage to the state. We hope that the deterrent effect of this statutory provision will be greater than the need to apply it and that it will facilitate more responsible and fair public administration. However, if necessary, the State Audit Office is ready to apply the new statutory provision.

In 2019, the State Audit Office continued excellent co-operation with collegial institutions in the areas of supervision and law enforcement. As every year, we have worked with the Procurement Monitoring Bureau and the Competition Council closely. The year 2019 has been marked as a successful year of co-operation with the Corruption Prevention and Combating Bureau and the Internal Security Bureau of the Ministry of the Interior. However, co-operation with the Prosecutor's Office and the State Police in the investigation of violations detected by the State Audit Office could be much better.

I would also like to take this opportunity to express my gratitude. First, I would like to thank the auditors of the State Audit Office for their selflessness in performing tough auditing tasks and the support staff, without whom this work would be much more difficult. I thank the mass media for their continued interest in covering the audit findings of the State Audit Office and informing the public about them. I am grateful to the many people who have been whistleblowing by letters and telephone calls about wrongdoings they had noticed or simply expressed their support over the years. Without public participation, the State Audit Office would not be as strong an organization as it is today.

I would like to thank the audited entities as well for their constructive cooperation in implementing the recommendations. Exactly thanks to you, we can be proud of the fantastic proportion of recommendations implemented, which exceeded 93% in 2011. Finally, I would like to thank the Members of the Parliament for their cooperation over many years both by listening to the audit findings at the meetings of the Saeima Committee and by initiating amendments to the laws according to the recommendations of the State Audit Office.

The State Audit Office has grown during these almost eight years. The auditors of the State Audit Office have developed professionally in all possible aspects. We have facilitated this by developing increasingly sophisticated audit products, introducing higher standards, auditor certification, and other growth-enhancing measures. The organisation has also expanded by strengthening process management, communication, project implementation, and other competencies.

Growth in international cooperation has been significant. Since 2017, the State Audit Office is a member of the EUROSAI Governing Board. A representative of the State Audit Office has been elected to the Forum for INTOSAI Professional Pronouncements. While the State Audit Office learned to apply international auditing standards from more experienced colleagues only 15 years ago, then now we both teach them to other countries and Latvian experience and audit practices become part of the standards in some cases that will be applied worldwide. Our international cooperation both provides invaluable experience and growth to our auditors and burnishes the image and reputation of the Republic of Latvia.

What the further development of the State Audit Office will be in the coming years will already be the responsibility of a new Auditor General. Still, I hope that the State Audit Office will continue to develop and will be a professional and independent audit institution in the coming years, as required by the Constitution of the Republic of Latvia.

Respectfully yours,
Ms Elita Krūmiņa
Auditor General and Chair of the Council of the State Audit Office

Riga, May 2020



Table of Contents

1. Performance Results of the State Audit Office	6
1.1. Operational framework of the State Audit Office	7
1.2. Key goals achieved.....	8
1.3. Structure.....	9
1.4. Results of public sector auditing.....	13
1.5. Auditing organisation and support processes	38
1.6. Quality management and internal control system.....	39
1.7. Human resources.....	40
2. International cooperation.....	41
2.1. International activities.....	42
2.2. International projects.....	44
3. Communication of the State Audit Office.....	46
3.1. Public relations.....	47
3.2. Cooperation with the population, the Saeima, and other organisations.....	48
4. Financial resources and priorities for the next year	50

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. Results of auditing
- 1.5. Auditing organisation and support processes
- 1.6. Quality management and internal control system
- 1.7. Human resources



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

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

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 they occur, and hunting violations, which had already occurred [...]¹.

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

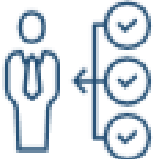








UN Resolutions [Read more...](#)

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

The Statutes of the State Audit Office and other internal regulations of the State Audit Office approved by the Council of the State Audit Office or the Auditor General (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

<p>Strengthened capacity for compliance, performance, and combined audits</p>  <p>44.1% of the total resources spent on auditing were devoted to compliance, performance, and combined audits.</p> <p>Read more...</p>	<p>In financial audits, the scope of compliance issues to be assessed increased</p>  <p>56 opinions on compliance issues</p> <p>Read more...</p>	<p>The audited entities' understanding of the implementation of the recommendations on its merits facilitated</p>  <p>93.5 % recommendations implemented</p> <p>Read more...</p>
<p>Local and regional government coverage in audits expanded</p>  <p>64 local and regional governments included in the audits (including also cities)</p> <p>Read more...</p>	<p>Improved cooperation with law enforcement institutions</p>  <p>12 reports to law enforcement institutions</p> <p>Read more...</p>	<p>International recognition promoted</p>  <p>2 international events in Riga</p> <p>Read more...</p>
<p>Qualification of auditors perfected</p>  <p>23 employees certified</p> <p>Read more...</p>	<p>The implementation of the given recommendations resulted in financial return achieved</p>  <p>Rate of return 1:4.6</p> <p>Read more...</p>	<p>Selection of audit topics based on strategic and risk assessment</p>  <p>90% of opinion leaders find the audit topics selected by the State Audit Office substantial</p> <p>Read more...</p>

1.3. Structure (1)

Auditor General
Chair of the Council of the State Audit Office

Council of the State Audit Office
Six Members of the Council – Directors of the Auditing Departments

The First Audit Department Two sectors, 23 employees	The Second Audit Department Three sectors, 21 employees	The Third Audit Department Three sectors, 17 employees
The Fourth Audit Department Three sectors, 25 employees	The Fifth Audit Department Three sectors, 21 employees	Audit and Methodology Department Three sectors, 20 employees

Support functions/divisions – 43 employees
Strategic planning and analysis; project, process and quality management; Human Resource management; legal service; communication; international cooperation; financial management; information technology; maintenance and support; record keeping, and secretariat.

The number of employees employed at the State Audit Office as of 31 December 2019.



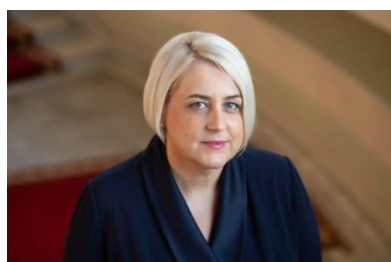
Team of the State Audit Office in November 2019.

1.3. Structure (2)



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	The Second Sector Head of Sector Larisa Reine
<p>Ministry of Foreign Affairs Budget – 66.04 MEUR; Subordinate bodies – 1 institution</p> <p>Ministry of Education and Science budget – 773.9 MEUR; Subordinate bodies – 54 institutions; Supervision – 6 state-owned enterprises</p> <p>National Electronic Mass Media Council Budget – 25.66 MEUR; Supervision – 2 state-owned enterprises</p>	<p>Ministry of Economics Budget – 98.8 MEUR; Subordinate bodies – 6 institutions; Supervision – 7 state-owned enterprises</p> <p>Ministry of Transport Budget – 472.01 MEUR; Subordinate bodies – 4 institutions; Supervision – 13 state-owned enterprises</p> <p>Public Utilities Commission Budget – 5.37 MEUR</p>



Ilze Grīnhofa
Member of the Council of the State Audit Office since 16 May 2013, Director of the Second Audit Department.

The First Sector Head of Sector Iveta Ozoliņa	The Second Sector Head of Sector Kaiva Skalbiņa	The Third Sector Head of Sector Aelita Jaunroze
<p>Ministry of Defence Budget – 634.45 MEUR; Subordinate bodies – 5 institutions and the National Armed Forces</p> <p>Corruption Prevention and Combating Bureau Budget – 6.46 MEUR</p>	<p>Ministry of the Interior Budget – 432.53 MEUR; Subordinate bodies – 9 institutions; supervision – 1 state-owned enterprise</p> <p>Prosecutor's Office of the Republic of Latvia Budget – 32.26 MEUR</p>	<p>Ministry of Justice Budget – 245.10 MEUR; Subordinate bodies – 12 institutions; Supervision – 2 state-owned enterprises</p> <p>Supreme Court of the Republic of Latvia Budget – 5.38 MEUR</p> <p>Constitutional Court of the Republic of Latvia Budget – 2.23 MEUR</p>

1.3. Structure (3)



Inga Vārava
Member of the Council of the State Audit Office since 21 February 2013, Director of the Third Audit Department.

The First Sector
Head of Sector
Ieva Pīpiķe

Ministry of Welfare
Basic budget – 682.49 MEUR;
Special budget – 2.91 billion euros;
Subordinate bodies – 11 institutions;
Supervision – 1 state-owned enterprise

The Second Sector
(Until 14 Oct 2019)
Head of Sector
Līga Pūre
(From 15 Oct 2019)
Acting Head Sandra Batalova

Ministry of Health
Budget – 1.18 billion euros;
Subordinate bodies – 10 institutions;
Supervision – 14 state-owned enterprises

The Third Sector
Head of Sector
Linda Freidenfelde-Purgaile

Audits on compliance of certain transactions with the statutory requirements
(Audits for rapid response to current events in the country)



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

Ministry of Agriculture
Budget – 700.13 MEUR;
Subordinate bodies – 9 institutions;
Supervision – 5 state-owned enterprises
Ombudsman
Budget – 1.58 MEUR
Central Land Commission
Budget – 106.51 thsd euros

The Second Sector
Head of Sector
Aija Feldmane

Ministry of Environmental Protection and Regional Development
Budget – 113.19 MEUR;
Subordinate bodies – 7 institutions;
Supervision – 3 state-owned enterprises and 5 planning regions
Cabinet of Ministers
Budget – 11.46 MEUR;
The State Chancellery and the State Administration School
Cross-sectoral Coordination Centre
Budget – 938.23 thsd euros

The Third Sector
Head of Sector
Natalja Mihailova

Ministry of Finance
Budget – 1.15 billion euros;
Subordinate bodies – 5 institutions; Fiscal Discipline Council;
Supervision – 5 state-owned enterprises
Ministry of Culture
Budget – 168.26 MEUR;
Subordinate bodies – 28 institutions and the State Culture Capital Foundation;
Supervision – 16 state-owned enterprises
Chancery of the President of Latvia
Budget – 4.94 MEUR

Note: Financial information from:

“Operational report. Execution of the revenue and expenditure of the basic budget of the Ministry in 12 months of 2019 (expenditure - total)”. [Read more...](#)

“Operational report. Execution of revenue and expenditure of the special budget in 12 months of 2019 (expenditure - total)”. [Read more...](#)

1.3. Structure (4)



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

The First Sector (Until 25 March 2019) Head of Sector Inga Vilka (From 26 March 2019) Head of Sector Jānis Lielkalns	The Second Sector Head of Sector Elita Andruce	The Third Sector Head of Sector Oskars Erdmanis
<p>Annual Consolidated Financial Statement of the Republic of Latvia on the Execution of the State Budget and the Municipal Budgets (the part of the annual financial statements of local and regional governments)</p> <p>Consolidated budget spending of 119 local and regional governments – 2.80 billion euros; Assets of the local and regional governments – 9.03 billion euros</p>	<p>Local and regional governments, municipal institutions and agencies, municipal enterprises, derived legal entities of public law</p> <p>119 local and regional governments; More than 2,640 institutions; 59 agencies; More than 43 municipal enterprises</p> <p>Social Integration Foundation Budget – 10.85 MEUR</p>	<p>Local and regional governments, municipal institutions and agencies, municipal enterprises</p> <p>119 local and regional governments; More than 2,640 institutions; 59 agencies; More than 43 municipal enterprises</p>



Zita Zariņa
Member of the Council of the State Audit Office since 21 December 2015, Director of the Audit and Methodology Department.

The First Sector Head of Sector Iveta Burkāne	The Second Sector Head of Sector Ingrīda Kalniņa- Junga	The Third Sector Head of Sector Ilze Bādere
<p>Annual Consolidated Financial Statement of the Republic of Latvia on the Execution of the State Budget and the Municipal Budgets (the part of the state budget revenue)</p> <p>Audited revenue – 9.06 billion euros</p> <p>Central Election Commission Budget – 3.58 MEUR</p> <p>Quality control of closed audits</p>	<p>Audits in the area of ICT and e-government implementation</p> <p>IS audit in financial audits and evaluation of ICT performance</p> <p>IS audit methodology, large-scale data analysis, staff support in the use of audit support tools</p>	<p>Annual Consolidated Financial Statement of the Republic of Latvia on the Execution of the State Budget and the Municipal Budgets</p> <p>State consolidated budget spending (actual execution) – 9.12 billion euros</p> <p>Audit methodology, ensuring the exchange of staff experience and training of partner organizations</p>

Note: Financial information from:

“Operational report. Execution of the revenue and expenditure of the basic budget of the Ministry in 12 months of 2019 (expenditure - total)”. [Read more...](#)

“Publication of reports - local and regional governments” (Viewed on 5 Feb 2020). [Read more...](#)

“Execution of the State Budget, Budgets of Derivative Public Entities Partly Financed from the State Budget and Budgets of Institutions Not Financed from the Budget in 2018”. [Read more...](#)

1.4. Results of Public Sector Auditing (1)

Strategic priority: the promotion of the operation of the public sector institutions in accordance with the objectives, public interests, and at reasonable costs.

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, which rating agencies assess when determining a country's credit rating and foreign investors assess when deciding on investment opportunities.

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.



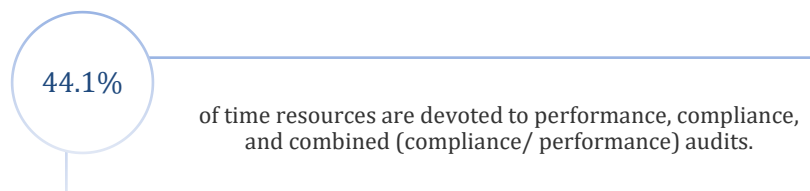
Performance audits, compliance audits, and combined (compliance/ performance) audits

Performance audit: do the activities, programs, and actions of an institution comply with the principles of economy, efficiency, and effectiveness?

Compliance audit: do the actions, financial transactions, and information comply with the laws and regulations, and binding agreements, as well as with nationally or internationally recognised practices in all material respects?

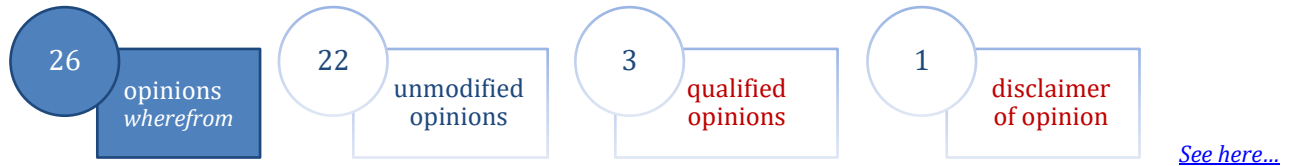
Combined (compliance/ performance) audit: compliance audits that assess performance issues or performance audits that assess compliance issues.

Audit topics are selected based on strategic and risk assessment of the areas to be audited, as well as events of public significance in the country.



1.4. Results of Public Sector Auditing (2)

Results of financial audits on the accuracy of the financial statement for 2018 in ministries and central state institutions.



Unmodified opinions

Supreme Court, Ministry of Foreign Affairs, Central Election Commission, Central Land Commission, Ministry of Economics, Ministry of Finance, Ministry of the Interior, Corruption Prevention and Combating Bureau, Ministry of Culture, Ministry of Welfare, Cabinet of Ministers, National Electronic Media Council, Cross-sectoral Coordination Centre, Prosecutor's Office, Public Utilities Commission, Social Integration Fund, Constitutional Court, Ombudsman, Ministry of Justice, Chancery of the President of Latvia, Ministry of Health, and Ministry of Environmental Protection and Regional Development.

Qualified opinions

Ministry of Defence:

No confidence gained in the value of the stocks indicated in the balance sheet of the Logistics Command of the National Armed Forces and their changes (the total value is 257.97 MEUR). [Read more...](#)

Ministry of Education and Science:

Deficiencies in Competence Centre for Vocational Education and Training Priekuļi Technical College (dissolution of the Ērgļi Structural Unit, completeness of long-term investment (7.79 MEUR), stocks (29.59 thsd euros), and inventory accounting. [Read more...](#)

Ministry of Transport:

Stocks of 13 explored underground assets (quarries) are not presented in the accounting records of the Ministry of 69,983 thousand cubic metres. [Read more...](#)

Disclaimer of opinion

Ministry of Agriculture:

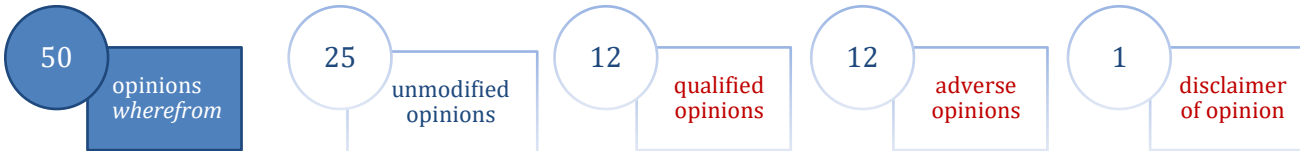
The ministry has not recorded the explored and managed peat, sand, gravel, clay, and siltstone deposits owned by the state and transferred to the management of state-owned JSC Latvijas valsts meži for a long time.

Only at the request of the State Audit Office, the mineral deposits were initially recognised and included in the records with a value of 3.81 billion euros. [Read more...](#)

1.4. Results of Public Sector Auditing (3)

Results of financial audits on compliance issues (1)

Assessment of the compliance of the measures, activities, transactions, and actions with the laws and regulations, planning documents, nationally (or internationally) recognised practices and sectoral standards.



Unmodified opinions

Ministry of Defence, Ministry of Foreign Affairs, Ministry of Economics, Ministry of Finance, Ministry of the Interior, Ministry of Education and Science, Ministry of Welfare, Cabinet of Ministers, National Electronic Media Council, Ministry of Justice, Chancery of the President of Latvia, Ministry of Health, Ministry of Environmental Protection and Regional Development, and Ministry of Agriculture:

Use of funding allocated for the celebrations of the Latvia's Centenary pursuant to the purpose of its allocation.

Ministry of Defence:

Development of Combat Engineer Capabilities of the National Armed Forces – 3.1 MEUR;
Infantry Mechanisation of the National Armed Forces – 49.7 MEUR.

Ministry of Foreign Affairs:

Development and implementation of the Representation Resource Management System Horizon module – 38.04 thsd euros.

Central Election Commission:

Organisation of the parliamentary election – 3.4 MEUR.

Ministry of Economics:

Funding to support access to housing – 6.1 MEUR.

Ministry of the Interior:

Development of the register of asylum seekers and related information systems – 88.3 thsd euros.

Ministry of Transport:

Construction and maintenance of electromobility infrastructure – 3.5 MEUR.

Ministry of Justice:

Project “Justice for Development” – 2.4 MEUR.

Ministry of Justice:

Establishment of an information issuance system to identify the true beneficiaries – 211.2 thsd euros.

Ministry of Agriculture:

Priority measure “Strengthening Administrative Capacity” – 1.5 MEUR.

Ministry of Agriculture:

Compensation for damage to areas affected by rainfall – 7.8 MEUR.

1.4. Results of Public Sector Auditing (4)

Results of financial audits on compliance issues (2)

Qualified opinions

Ministry of Defence:

Development of intelligence, airspace surveillance, and air defence capabilities of the National Armed Forces - 22.9 MEUR: 5.5 MEUR spent on the acquisition of the weapons system, the decision on the acquisition was made without sufficient assessment in violation of internal legislation and NATO-recognised practices, thus posing risks for the effective use of the system.

Ministry of Economics:

State Budget Program "Economic Development Program" of 552.9 thsd euros. Although funding was used as intended, there were drawbacks detected in the planning and control of funding and activities.

Ministry of Finance:

Capacity building of the Ministry of Finance, incl. combating the shadow economy, achieving the strategic goals of the State Revenue Service - 3.1 MEUR, wherefrom 833 thsd euros spent incompliant with the original target of the priority measure.

Ministry of Culture:

Funding allocated for the celebrations of the Latvia's Centenary - 21.1 MEUR. The National Film Centre of Latvia has spent the allocated funding of 446.5 thsd euros inappropriately by financing films that were not included in the list of the contest "Latvian films for the Latvia's Centenary".

Cabinet of Ministers:

Priority measure "Attracting Experts for Evaluation of Reforms and Capacity Building" of 225.4 thsd euros. The State Chancellery has not ensured the accounting of remuneration costs at the level of the priority measure, thus no assurance was obtained on remuneration costs of 60.8 thsd euros.

National Electronic Mass Media Council:

Priority measure "Strengthening the capacity of Latvian Television" of 360.8 thsd euros and priority measure "Strengthening the capacity of Latvian Radio" of 439.4 thsd euros. Deficiencies in the planning of the priority measure, lacking link with the performance indicators specified in the development planning documents.

Cross-sectoral Coordination Centre:

Assessment of Latvia's competitiveness and its monitoring system of 489.8 thsd euros. One spent 49 thsd euros or 10% of the allocated funding on a research not related to the purpose of the measure.

Social Integration Foundation:

State Budget Program "Implementation of Media Projects" of 742.7 thsd euros. Deviations from the requirements of the concluded agreement and approved regulations were allowed in the evaluation of projects and disbursement of financing.

Ombudsman:

Priority measure "National Preventive Mechanism" of 145.1 thsd euros. Although the structure for the implementation of the mechanism has been established, it has been established with delays, and thus the expected operational results have been achieved only for 38%, no assurance has been obtained for 53.1 thsd euros use of the euro in purpose with the objectives.

Ministry of Health:

Priority measure "Establishment of the Latvian Anti-Doping Bureau" - 699.9 thsd euros. Significant inconsistencies have been identified in the planning of the funding required for the establishment of the office; Creation of a database of healthcare service recipients of 1.6 MEUR. Although the funding was used as intended, the database was not operational within the deadline.

1.4. Results of public sector auditing (5)

Results of financial audits on compliance issues (3)

Adverse opinions (1)

Ministry of the Interior:

Provision of institutions subordinated to the Ministry with the armament necessary for the performance of functions of 4.1 MEUR. Almost 30% were redistributed for other purposes, rearmament was not planned in accordance with laws and regulations, and the measure was not completed in 2018. There is no assurance that the institutions will have received all the necessary armaments having spent the allocated funding.

Ministry of Education and Science:

Reconstruction project of the Valmiera J. Dalinš Stadium and construction of athletics arena of 4 MEUR, where 1.5 MEUR were redistributed for other purposes.

Ministry of Education and Science:

Sports infrastructure development projects of Ventspils Olympic Centre of 2.3 MEUR. 537.5 thsd euros was used for non-contractual activities and the services not related to the Centre.

Ministry of Welfare:

Priority measure "Development of Alternative Forms of Family Care" of 1.02 MEUR. Only less than 18% or 184.1 thsd euros were used for the intended purpose, while the funding has been used for expenditure that was not initially planned;

Priority measure "Social Institutions for Capacity Building and Social Programs in Protection of Children's Rights and Adjustment of IT Systems Related to Those Measures" of 619 thsd euros. Only 336.6 thsd euros or 54% were spent on the planned activities.

Prosecutor's Office:

Priority measure "Renovation of the Building of the Prosecutor's Office Structural Units at 6 Kalpaka Boulevard in Riga" of 96.8 thsd euros. A significant part of the funding was not spent as originally planned.

Ministry of Transport:

Priority measure "Railway Public Infrastructure" of 4 MEUR. The financing of 4 million euros has not been used for the construction of a two-level crossing according to the purpose of the allocation and laws and regulations and the planned results have not been achieved in 2018, as the railway crossing is not built.

Establishment of the state information system for the registration of beneficiaries of fare relief of 142.8 thsd euros. Discrepancies identified that may affect the implementation of electronic identification solutions adversely within the planned timeframe by 1 January 2021.

Ministry of Justice:

Priority measure "Modernisation of the Information System of the Register of Enterprises (URIS)" of 1.05 MEUR. Nobody has elaborated the URIS modernisation plan; 38% of the funding is not used pursuant to the original purpose; and the planned results are not achieved.

1.4. Results of public sector auditing (6)

Results of financial audits on compliance issues (4)

Adverse opinions (2)

Ministry of Environmental Protection and Regional Development:

Implementation of the decommissioning measures of the Salaspils Nuclear Reactor of 3.3 MEUR. The Ministry has not ensured the management of measures in accordance with good project management practice; 2.8 MEUR spent on the measures not related to the decommissioning of the reactor;

Management of redistributed funding within the Ministry of 1.3 MEUR. The Ministry has not ensured good financial management when planning and using the redistributed funding from the emergency measure "Ensuring the implementation of the decommissioning measure package of the Salaspils Nuclear Reactor".

Ministry of Health:

Health reform measure "To ensure the availability of healthcare services for chronic patients" of 10.9 MEUR. 75% or 8.3 MEUR were not used as intended and the intended results were not achieved.

Disclaimer of opinion

Ministry of Education and Science:

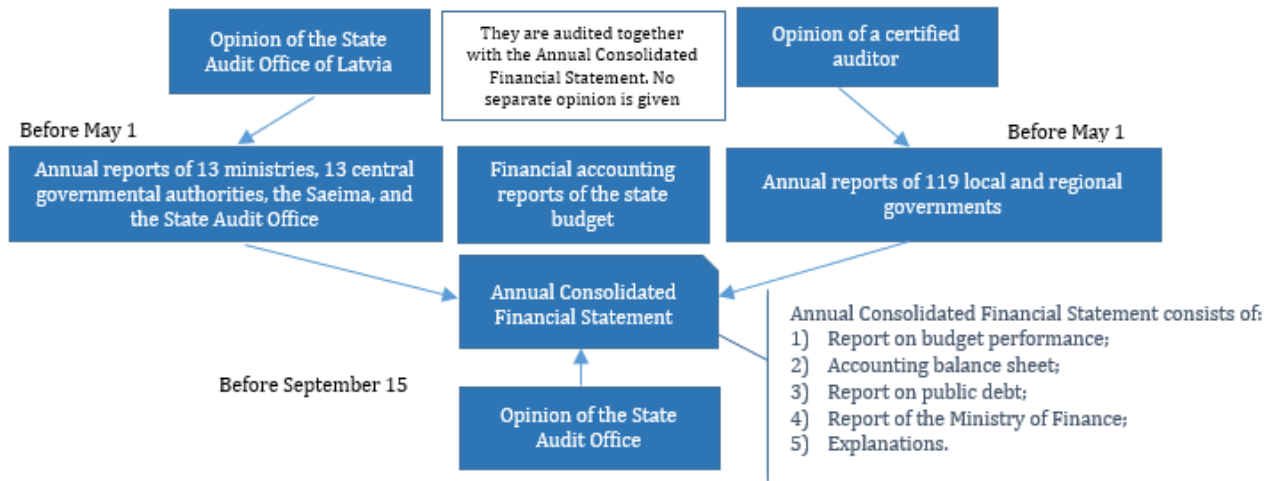
Construction of the Jēkabpils Multifunctional Sports Hall of 1.1 MEUR. The audit did not provide sufficient and appropriate evidence that the funds were used as intended.



There are 89 recommendations made after financial audits in total, wherefrom 27 recommendations referred to the accuracy of the annual financial statement, 61 recommendations related to compliance issues, and one recommendation was made to verify the implementation of recommendations made after previous audits.

1.4. Results of public sector auditing (7)

Results of financial audits on the annual consolidated financial statement of the state (1)



The total balance sheet of the annual consolidated financial statement of the state for 2018 amounted to 29.56 billion euros, revenues of 11.22 billion euros and expenditure of 10.75 billion euros.

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

To date, no unmodified opinion has been issued on the annual consolidated financial statement of the state.

The most significant deficiencies identified (1) (discrepancies and limitations on scope)

Long-term investments:

No sufficient and adequate evidence has been obtained to determine the amount of adjustment required for long-term investments of 1.74 billion euros or 6% of the total long-term investments. [Read more...](#)

Reserves:

No sufficient and appropriate evidence has been obtained to determine the amount of the necessary adjustments in relation to the reserves of the Ministry of Defence (Logistics Command of the National Armed Forces) presented in the balance sheet as current assets of 257.97 MEUR in connection with criminal proceedings initiated.

Promissory note:

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 effect of that transaction or its absence on the financial statement.

Assets:

The State Audit Office does not provide an opinion on the assets of Ventspils, Talsi, and Līgatne Regional Governments presented in the balance sheet of 29.91 MEUR.

Riga City Municipality Agency *Rīgas gaisma*:

The State Audit Office does not provide an opinion on the assets and liabilities presented in the annual financial statement of the Riga City Municipality Agency *Rīgas gaisma* of 19.92 MEUR at the beginning of the year and 19.78 MEUR at the end of the year.

1.4. Results of public sector auditing (8)

Results of financial audits on the annual consolidated financial statement of the state (2)

The most significant deficiencies identified (2) (discrepancies and limitations on scope)

Nursing Home Rauda:

The State Audit Office does not provide an opinion on the assets, equity, financial performance, cash flow income and expenditure of Nursing Home Rauda included in the consolidated financial statement of the Engure Regional Government.

Correction:

At the end of the audit, the State Treasury made corrections that increased contingent liabilities in the sub-balance sheet by 191.97 MEUR. However, no justification has been provided. Therefore, the State Audit Office does not provide an opinion on the value of contingent liabilities of 182.45 MEUR.

Accruals basis:

Tax revenue is still not recognised on an accrual basis. The information provided in the financial statement on state fee revenue is still incomplete, and it is still not possible to obtain assurance that state fees are collected and accounted for in full. The State Audit Office cannot express an opinion on the completeness of tax revenues and state fee revenues.

Financial derivatives and government debt service:

No assurance was obtained that the value of financial derivatives set by the State Treasury of 150 MEUR, which reduced the value of reported liabilities, was accurate and reliable;

The State Treasury does not assess the effectiveness of financial derivatives according to internationally accepted methods;

Significant deficiencies were also detected in forecasting the costs of government debt service.

South Bridge:

An incorrect classification was applied to the liabilities of the Riga City Municipality presented in the financial statement regarding the financing of the construction of the South Bridge, as liabilities of 241.39 MEUR were not presented in accordance with the economic nature of the transaction as a loan, but as long-term debts, and a loan of 409.77 MEUR was not presented in the notes on the accounts.

State indemnities:

In the consolidated balance sheet of the state, the state liabilities arising from state-guaranteed loans to healthcare institutions and construction of sports facilities were presented 33.78 MEUR less because they were discounted.

Contingent liabilities:

Sub-balance sheet liabilities (contingent liabilities) were presented at the value of 150.72 MEUR more.

1.4. Results of public sector auditing (9)

The audit results of the annual consolidated financial statement of the state on compliance issues (1)



Unmodified opinion

The 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 of alleviating the tax debt burden of taxpayers, increasing budget revenues, and reducing the total tax debt;

The State Revenue Service used the principle of “consult first”, therefore it delayed the deadlines specified in the law in some cases by making late decisions on the cancellation of late payment charges and fines and decisions on the cancellation of aid.

Qualified opinion

On the use of funding allocated for the celebration of the Centenary of the Republic of Latvia²:

The Ministry of Culture, which implemented the most significant part (79%) of Latvia’s Centenary activities (a total of at least 320 activities) in 2018, cannot indicate which activities have ensured the achievement of one of the goals, to create lasting Latvian values, symbols, and creative works of the 21st century and which ones were provided for in the National Action Plan or implemented additionally;

The Ministry of Culture has an insufficient and formal approach to ensuring supervision, namely, by examining the reports of the departments, it has both approved unforeseen expenses in the plan, extended the deadlines for submission of reports, and assessed the allocated funding and the progress of implementing the measure insufficiently;

The overexpenditure of the planned funding has already reached 10 million euros by summarising the data obtained in the audits of 2017 and 2018. The open concept of the celebrations allows almost any event to be referred to the Centenary, and the events will continue for another three years, so it will not be possible to obtain complete and truthful information about the funding spent on the celebrations.

Qualified opinion

On the remuneration of councillors:

82 local and regional governments have not complied with or have partially complied with the statutory requirements in determining the remuneration of councillors;

The internal regulations of local and regional governments apply the opposite regulation to the explanation provided by the State Chancellery, i.e., the State Chancellery summarises that a councillor is entitled to remuneration for the performance of his or her duties, which cannot be waived. In its turn, the Ministry of Environmental Protection and Regional Development provides the opinion that councillors have the right to waive the remuneration for the performance of the duties of a councillor;

In 63 local and regional governments, the hourly rate exceeds the limits set by the Remuneration Law for councillors who do not hold a paid position in the council, and still 39 local and regional governments continue to interpret the statutory monthly wage limits differently. [Read more...](#)

² As part of the audit, a study by SKDS Ltd aiming to find out the opinion of the Latvian population on the quality of the Latvia’s Centenary celebrations and compliance with the idea of those chosen to celebrate the national holiday, as well as on the costs and efficiency of the celebrations. At the same time, the aim was to get an idea of whether the festive events and mood had positively influenced the feelings of patriotism of the Latvian population. Contract amount of 3,351.70 euros (including VAT). Research results – [Read here...](#)

1.4. Results of public sector auditing (10)

The audit results of the annual consolidated financial statement on compliance issues (2)

Adverse opinion

On the use of development expenditure:

Almost one third out of the tested 30.63 MEUR, that is, 9.35 MEUR has not been spent pursuant to the initial purpose. One has not obtained sufficient and appropriate audit evidence on the compliance of the use of 0.31 MEUR with the initial purpose;

In most examined cases (11 out of 17 or 65%), the initially planned results were not achieved or were only partially achieved;

The process of evaluating applications for priority measures is not transparent, as 40% of all supported measures (totalling to 66.46 million euros) were those that had not been applied in accordance with the statutory procedures;

There is insufficient monitoring of the use of the allocated funding, and there is no assessment of whether the funding for the priority measures should be maintained in the budget of corresponding sector for the following years if the measures are not implemented in the planned amount during the current year. Unused funding remains at the disposal of the sector and is reallocated and used for other activities;

There was no assurance that the analysis of the compliance of the applications with the priorities and objectives specified in the development planning documents carried out by the Cross-sectoral Coordination Centre was taken into account when deciding on the priority measures to be supported. [Read more...](#)

Disclaimer of opinion

On the use of funding for a standardisation project:

The standardization project is not implemented as a set of coordinated and controlled processes on its merits, which has set deadlines and whose goal must be achieved within the allocated time and resources. The deadline for project implementation has been extended significantly, the direct and indirect costs of the project have not been identified and analysed, the project includes activities that correspond to the basic activities of the State Treasury, not all activities were included in the project plan, and one will decide on the opportunity to measure the performance indicator only at the end of the project, that is, in 2022. [Read more...](#)

Disclaimer of opinion

On the use of funding for the centralisation project:

Decisions regarding project implementation indicate the lack of a targeted and calculation-based approach, they are not traceable, financial accounting centralisation scenarios have been changed several times, no assessment of previously identified deficiencies has been performed, information on planned and actual costs has not been summarised, cost/benefit analysis has not been performed;

Non-compliance with the statutory requirements regarding the performance of stock-taking has been established in the provision of the service. [Read more...](#)



As part of the audit of the annual consolidated financial statement, there were 43 recommendations and 2 proposals made. There were 24 recommendations provided to improve the quality of annual reporting and streamline tax administration processes. [Read more...](#)

1.4. Results of public sector auditing (11)

Performance audits, compliance audits, and combined (compliance/ performance) audits (1)

Internal and external security

In the area of national security, the State Audit Office assessed the maintenance and development of Latvia's infrastructure as the external border of the European Union, as well as the readiness of the National Guard for new challenges. In the context of the current geopolitical situation, including international migration flows, demonstrating Latvia's ability to ensure appropriate management of the external border to other EU Member States is crucial.

In the area of internal security, we have paid attention the reintegration of ex-prisoners into society and the labour market in order to reduce the risk of re-offending.

Has one used the state budget funds for the construction and maintenance of the infrastructure of the borderland of the Republic of Latvia legally and achieving the set goals and results?

The State Audit Office concludes:

When establishing the Latvian-Russian borderland, at least 7.14 million euros of state budget funds and property were used illegally, and one has wasted at least one million euros of budget assets and property for maintaining the Latvian-Estonian and Latvian-Lithuanian borderland. The Ministry of the Interior has not supervised the construction of the state borderland sufficiently. The State Border Guard and the State Provisions Agency have acted with state budget funds and property illegally. One has allowed unlawful major deviations from the construction project and the volume of construction work, which will require much more expenses from the state budget in the future than initially estimated. Trees felled as a result of illegal logging are not listed and have disappeared. One has paid for work not performed and not required to be performed. The State Audit Office has approached law enforcement institutions by calling for an assessment of the prosecution of culprits.



[Read more...](#)

The State Audit Office recommends:

The Ministry of the Interior should establish a monitoring mechanism for the construction of the external border infrastructure to prevent the construction of objects that do not comply with the laws and regulations, the set sectoral requirements, and the approved construction projects. In co-operation with the State Border Guard, one should assess the types and scope of borderland maintenance work to be performed and propose the Cabinet of Ministers to define the requirements for the construction and maintenance of the internal borderland.

1.4. Results of public sector auditing (12)

Performance audits, compliance audits, and combined (compliance/ performance) audits (2)

Has the funding allocated for the implementation of the first stage of the National Guard's enhanced readiness sub-units been used effectively?

The audit report is classified as for official use.

The State Audit Office concludes:

Financing of 73 million euros for the implementation of the first stage of the National Guard's enhanced readiness sub-units between 2015 and 2018 has been used for the planned purpose. Thus, the supplies held in stock of the National Guard have increased significantly, the infrastructure objects necessary for the National Guard have been identified and planned in the construction program, and even more involvement of the most active national guards in the training process has been achieved. At the same time, the State Audit Office concludes after the audit that it is not possible to assess whether the funding allocated for the implementation of the first stage of the National Guard's enhanced readiness sub-units has been used effectively, that is, whether the allocated funding has achieved the set goals and planned progress in the development of the National Guard.

The State Audit Office recommends:

Starting from 2019, one plans to involve the National Guard units much more widely within the combat capabilities of the armed forces. For the allocated state budget funding allocated to continue the building capacity of the National Guard be spent as efficiently as possible, the State Audit Office has provided four recommendations to the Ministry of Defence, the National Armed Forces, and the National Guard, including to elaborate requirements for the implementation of an automated accounting system, to assess whether there are opportunities to simplify the system of national guard positions and training taking into account the impact of changing national guard activity, etc.

Effectiveness of the national measures for resocialisation of convicted people



[Read more...](#)

The State Audit Office concludes:

Most people sentenced to imprisonment once become offenders again and are imprisoned several times with a quarter of them four or even more times. A new, more progressive approach to the resocialisation of convicted people to society was introduced in Latvia a decade ago. However, the public actually pays for the process and not for the intended result now. Although there are various tools provided in prisons to motivate convicts to participate in re-socialisation activities, it also fails to involve some convicts in any activities, as the participation is based on the principle of volunteering. Even without the necessary help and support after serving the sentence, the measures taken in advance become meaningless.

The State Audit Office recommends:

There must a system established where real co-operation among the state, local and regional governments, and non-governmental organisations takes place. Only by developing the system of social rehabilitation of convicts, it will be possible to relieve prisons and reduce their maintenance costs in the future.

Legality of the use of state budget funds in the Constitution Protection Bureau

The information is classified as an object of state secret.

1.4. Results of public sector auditing (13)

Performance audits, compliance audits, and combined (compliance/ performance) audits (3)

Healthcare and well-being

People are thinking about their own health and the health of their loved ones increasingly. So far, the Latvian government's investments in the health sector have been lower than in many EU Member States. Providing quality medical care requires highly qualified and sufficient human resources to respond to the demands of the population. Therefore, the availability of human resources and services in public healthcare in the reporting year was also in the focus of the State Audit Office. Social inclusion policy was also one of the priorities of the State Audit Office's audits so that poverty alleviation would not be just a declarative slogan and social policy would be purposeful and based on the needs of the population.

Human resources in healthcare sector



[Read more...](#)

[Read more...](#)

The State Audit Office concludes:

Although the number of physicians in Latvia corresponds to the density of physicians per 1000 population in Europe set by the World Health Organisation, the reality is that physicians with certain qualifications are not available to patients, especially in the regions, or are available in very limited numbers. There is insufficient number of nurses, disproportion of doctors and nurses, large inequality in the location of medical practitioners in the regions and in Riga, insufficient level of remuneration, and inefficient generational change.

The State Audit Office recommends:

Implement a policy for the development of human resources in the health sector that meets the needs of society, thus providing the public with long-term accessible and high-quality health care services.

Should one improve the outpatient healthcare system in Latvia? ³



[Read more...](#)

The State Audit Office concludes:

In two years after the State Audit Office published its audit report on the effectiveness of outpatient healthcare, one has not managed to implement any of the recommendations so that the role of general practitioners in healthcare would be more in line with the interests of patients and would improve their availability. The State Audit Office provided recommendations with the aim to promote timely diagnosing and prevention of diseases, to provide patients with all services that fall within the professional competence of a general practitioner, and to reduce referrals to specialised doctors when a general practitioner can provide primary healthcare.

The State Audit Office recommends:

The Ministry of Health must continue the work started in this area and monitor the impact of the changes made closely in order to find new solutions, if necessary, for the development of a results-oriented healthcare system. Therefore, the State Audit Office extended the timeframe for the implementation of audit recommendations until 1 September 2020.

³ Interim report of the financial audit "On the accuracy of the annual financial statement of the Ministry of Health for 2019" on performance audit No 2.4.1-11/2015 "Is the state able to provide effective outpatient healthcare to patients?" in the report "Should one improve the outpatient healthcare system in Latvia?" on the follow-up of the implementation of the recommendations made.

1.4. Results of public sector auditing (14)

Performance audits, compliance audits, and combined (compliance/ performance) audits (4)

Does the national social inclusion policy achieve its targets on poverty alleviation?



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

The State Audit Office concludes:

Poverty alleviation can become one of the declarative slogans mentioned in the critical documents of the national growth in Latvia. Still, it actually reaches the people who really need social support only partially and conditionally. In fact, the Government must decide on the path poverty alleviation should take: maintaining a system of universal support that does not have a common approach and supervision, or introduce a targeted approach genuinely based on individual needs for those who need it most. The State Audit Office has reached such a conclusion by conducting a performance audit to find out whether the social inclusion policy implemented in the country achieves its goals in terms of poverty alleviation.

The State Audit Office recommends:

In order to promote the effective and efficient use of funding for social support measures, the State Audit Office invites the Cabinet of Ministers to consider the opportunity of developing income-tested and/ or social policy based on certain social problems and needs by abandoning the universal support system. It would be possible to find resources for the introduction of new types of support and reduction of the risk of poverty in the country by supporting those who need it the most purposefully.

1.4. Results of public sector auditing (15)

Performance audits, compliance audits, and combined (compliance/ performance) audits (5)

Economics

The functioning of the state is not possible without tax revenues, a good and diversified economy, which is integrated into international value chains successfully.

When auditing the area of tax reliefs, the State Audit Office pointed to the possibilities of streamlining the state revenue management.

The State Audit Office focused on areas such as agriculture, transport, and communications. In the agricultural sector, emphasis was placed on the assessment of the activities of non-governmental organisations, as it ensured the compliance of government policy with the needs of society, management of amelioration systems to ensure protection against the formation of wet agricultural land and deforestation. At the same time, there was the accounting of assets audited, which was the basis for their lawful use. In the transport sector, the State Audit Office assessed the planning and implementation of railway infrastructure projects taking into account the financial capacity of those projects and their impact on the share of services. Today, the management of the national economy is not possible without appropriate information systems. One has also assessed whether public investment in the access to electronic communications reaches its users, namely, the population. The ICT infrastructure and its use are one of the options for optimising public administration. Finally, attention was also paid to the issues of remuneration of the top management of state-owned or municipal enterprises, as good governance starts with the personal example of managers first.

Are tax rebates and reliefs achieving their targets?



The State Audit Office concludes:

One has not assessed systematically so far which types of tax reliefs are really necessary and what problems they have solved. Due to the lack of information on the impact of tax reliefs, making reasonable decisions on changes in tax reliefs so that the Latvian public can receive the necessary types of support is impossible. With more than 200 different tax reliefs applied for businesses and individuals every year, the state budget does not receive around 2.5 billion euros.

[Read more...](#)

[Read more...](#)

The State Audit Office recommends:

As part of tax policy planning, one should assess the system of tax reliefs as a whole by defining priorities and objectives. There must be clarity on the effectiveness of tax administration, but assessing that has not been possible so far, as the institutions have also not accumulated information on the costs of administering tax reliefs, including the administration of tax rebates.

1.4. Results of public sector auditing (16)

Performance audits, compliance audits, and combined (compliance/ performance) audits (6)

Is the regulation of the remuneration of the members of the Board of direct and indirect state-owned enterprises sufficient?



[Read more...](#)

The State Audit Office concludes:

The mere existence of a law does not solve problems if there is no political will to implement it, well-defined supervision, and a common approach to compliance with the law. Since 2015, the Law on the Governance of the Shares of a Public Entity and Public Enterprises (the Law on the Shares) has been in force, with which reforms in the management of state-owned enterprises were to be initiated. This Law also defines the key principles of the remuneration policy for the members of the board of state-owned enterprises by solving the problems related to the competitiveness of remuneration and its connection with the performance results as well. In fact, the Law has served as a tool to increase remuneration through a variety of approaches and interpretations for the fifth year in a row. The State Audit Office has reached such a conclusion by conducting a regularity audit to find out whether the regulation of the remuneration of the members of the Board of direct and indirect state-owned enterprises is sufficient.

The State Audit Office recommends:

For ensuring that one achieves the objective of the Law on the Shares, the State Audit Office calls on the Cross-Sectoral Coordination Centre to act to develop common understanding and practice of applying laws and regulations by explaining and supplementing the guidelines for applying best practice principles and proposing to amend laws and regulations. The State Audit Office has also developed proposals to the Cabinet of Ministers to provide compliance with the statutory requirements and standards of good corporate governance in state-owned enterprises.

Is there a unified governance of ICT infrastructure in public administration defined to ensure efficient use of ICT infrastructure?



[Read more...](#)

[Read more...](#)

The State Audit Office concludes:

There has been virtually no progress in implementing ICT resource management policies since 2012. Optimisation serves as a slogan that is included in the strategies of state institutions, while the sectors optimise the ICT infrastructure according to their own understanding and capabilities. The situation in the sectors varies, as ICT management is organised centrally in some sectors; there is no unified governance does not exist and each institution manages it separately. The public administration maintains an excessive number of data centres (33 data centres are maintained in the four sectors included in the audit sample), some of which are not protected against physical security and environmental risks that may affect data security. At the same time, high-level data centres have been set up in the state administration, which are half-empty.

The State Audit Office recommends:

To avoid the risk that authorities will not be able to protect themselves if somebody decides to use disordered physical security and environment to damage, destroy, or steal essential technical resources and data stored therein, there is an urgent need to improve the ICT infrastructure security monitoring mechanism, as there is no clear requirements for physical and environmental safety defined and the identification and monitoring of the situation in the country as a whole.

1.4. Results of public sector auditing (17)

Performance audits, compliance audits, and combined (compliance/ performance) audits (7)

Does the public investment in Internet access reach the population?



[Read more...](#)

[Read more...](#)

The State Audit Office concludes:

The State Audit Office has assessed whether the national investments in the high-speed and stable Internet-access reach the population. The Ministry of Transport and the Latvian State Radio and Television Centre (LSRTC) have invested more than 60 million euros while deploying the Internet infrastructure throughout Latvia, and plan another investment of at least 25 million euros. However, the “last mile” or the link between the network built by the LSRTC and the Internet users themselves, that is, households, businesses, schools, and other institutions is missing. When launching the “middle mile” network development project, the Ministry of Transport planned that the electronic communication service providers would develop the last stage to the household. Nevertheless, due to the low solvency of the population and the sparseness of remote regions, service providers are not interested in deploying it. As a result, investments made have not reached households.

The State Audit Office recommends:

Looking to the future, the Ministry of Transport will also need an analysis of alternatives to the development of the “last mile” and a strategy for coordinated development of electronic communications networks to promote coordinated development and sharing of national electronic communications networks because the National Development Plan until 2027 already outlines several interrelated and interactive activities in the area of electronic communications now. With regard to the development of the “last mile” network, one must improve the process of assessing the return on public investment. However, the State Audit Office considers at the same time that the connection of each household to the Internet is not an end in itself. The Ministry needs to identify the situation both in the country as a whole and in each town where investments have already been made and the network has not been deployed to the household. One can decide on possible support for businesses, local and regional governments, or even households according to the specifics of each location only based on a comprehensive assessment, or one must admit impartially that the “last mile” service will not be deployed at some location.

Activities of the Ministry of Agriculture in the management of state - owned mineral resources



[Read more...](#)

[Read more...](#)

The State Audit Office concludes:

The actions of the Ministry of Agriculture and JSC “*Latvijas valsts meži*” in the management of mineral resources are not appropriate for a caring and responsible owner. Neither the Ministry of Agriculture nor JSC “*Latvijas valsts meži*” has followed and identified the extent to which state-owned peat has been extracted and alienated. With JSC “*Latvijas valsts meži*” not complying with the statutory requirements, the state receives and will continue to receive only a part of the revenue owing to it from the peat extraction and sales until 2030.

The State Audit Office recommends:

The Ministry of Agriculture, in cooperation with the Ministry of Environmental Protection and Regional Development and JSC *Latvijas valsts meži*, must elaborate a plan for sustainable management of subterranean mineral resources and assess the return and economic benefits of subterranean mineral resources regularly, as well as inform the public about the results of managing state-owned mineral resources.

1.4. Results of public sector auditing (18)

Performance audits, compliance audits, and combined (compliance/ performance) audits (8)

Has one spent the budget funds allocated to non-governmental organisations in the sectors of agriculture, forestry, and fisheries effectively?



The State Audit Office concludes:

Each year, there are half a million euros guaranteed and allocated to nine agricultural non-governmental organisations invariably, whose representatives form the Advisory Council of Agricultural Non-Governmental Organisations together with the Minister of Agriculture and the State Secretary of the Ministry. The established funding procedure does not ensure purposeful, transparent, and equal treatment of all agricultural non-governmental organisations.

[Read more...](#)

[Read more...](#)

The State Audit Office recommends:

The Ministry of Agriculture must ensure the procedure for financing the activities of non-governmental organisations in accordance with the principles of good governance by defining the deliverables and providing for the performance assessment.

Is the management of reclamation systems sustainable and effective?



[Read more...](#)

The State Audit Office concludes:

If land reclamation systems are malfunctioning or not functioning at all, unpredictable floods may occur, house cellars are flooded, agricultural wetland may form, and floods will cause crop damage and forest degradation. Although the public authorities in charge do not possess full and reliable information on the condition of land reclamation systems and there is no future vision on the development of land reclamation systems either, one invested more than 230 million euros of the European Union funds and state budget funds in renovation and maintenance of land reclamation systems since 2007. Neither the Ministry of Agriculture nor state-owned "Zemkopības ministrijas nekustamie īpašumi" Ltd has a forward-looking vision on the development of the system, the plan for the renovation of land reclamation systems where all national and federal land reclamation systems would be assessed and prioritised. The selection of land reclamation systems for renovation and maintenance work is non-transparent. Information on the selection process and the systems planned to be restored and maintained is not publicly available, which prevents landowners from planning the renovation or reconstruction of land reclamation systems promptly.

The State Audit Office recommends:

Technologically modern, comprehensive, and up-to-date information on land reclamation systems and planned restoration and maintenance works financed from the state budget and the European Union funds must be available primarily in Latvia. In addition, the Ministry of Agriculture must ensure close co-operation of the stakeholders and coordinated supervision, first of all, of all types of shared systems because land reclamation systems are like a single organism, where damage in one stage undoubtedly affects other stages in the system.

1.4. Results of public sector auditing (19)

Performance audits, compliance audits, and combined (compliance/ performance) audits (9)

Is the Rail Baltica project governance effective in Latvia?



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

The State Audit Office concludes:

From 2014 to 2019, the Rail Baltica project governance and implementation has not been effective enough in Latvia, the Ministry of Transport was not prepared for monitoring such a large project sufficiently, as well as project risk management was not sufficiently effective, therefore there is a risk of project completion in due time, by 2025. The audited entities must actually “turn on” risk management at the level of the Ministry of Transport and eliminate the deficiencies of risk management in “*Eiropas Dzelzceļa līnijas*” Ltd.

The project should improve financial discipline, including by preventing the further occurrence of ineligible costs, improve project governance, including by both using existing instruments more efficiently and assessing the need for new ones.

The State Audit Office recommends:

The Ministry of Transport should improve the monitoring of the implementation of the Rail Baltica project and risk management, thus facilitating the timely implementation of the intergovernmental agreement and the use of the planned socio-economic benefits of the Rail Baltica project in the interests of the public at large.

The State Audit Office calls for:

The Cabinet of Ministers should support the Ministry of Transport in assessing the issue of expropriation of real estate for public needs from state-owned enterprises, and the State Audit Office will call on the Cabinet of Ministers repeatedly to establish a strategically important project monitoring system by taking over the functions of the responsible ministry if needed.

Is the process of planning and implementation of investment projects and measures in the railway sector efficient and focused on the development of the railway sector?



[Read more....](#)

The State Audit Office concludes:

The policy implemented by the Ministry of Transport has not been effective and flexible enough under the influence of changing external conditions to promote the development of the railway sector and its infrastructure and increase competitiveness, as one planned originally. None of the six planned investment projects included in the scope of the audit has been implemented within six years.

The risk management system of project implementation is not effective due to the actions of both the Ministry of Transport and the *Latvijas dzelzceļš* (Latvian Railways), which, as the responsible entity for project implementation, has not ensured high-quality project and procurement planning and monitoring.

The Ministry of Transport had not developed a systemic approach to calculations and/or estimates to provide the financial balance of the *Latvijas dzelzceļš* until September 2019, although with the financing model of public railway infrastructure changing from July 2019, the government should ensure the balance between the expenses and revenue on infrastructure providing of the *Latvijas dzelzceļš* under the conditions of business as usual.

The State Audit Office recommends:

In the future, the Ministry of Transport should demand more efficient operation from the railway infrastructure manager state-owned JSC *Latvijas dzelzceļš* by fulfilling its statutory obligations for the renewal and development of railway infrastructure, and it should meet its tasks in transport policy more actively itself. The Ministry of Transport should also assess what actions one should make to facilitate the competitiveness of railway infrastructure charges by using the incentives provided by law and taking into account financial possibilities.

1.4. Results of public sector auditing (20)

Performance audits, compliance audits, and combined (compliance/ performance) audits (10)

Is there a plan for financing and a framework in place for procurement and contract management for the implementation of the Rail Baltica project?

Cooperative audit of the Supreme Audit Institutions of Estonia, Latvia, and Lithuania



[Read more...](#)

[Read more...](#)

The Supreme Audit Institutions conclude:

In general, the RB Rail AS has developed rules and procedures for conducting procurements and contracts and that the rules have become more comprehensive over time and have mostly been followed. However, the global project lacks project management procedures currently, especially in the area of change and risk management. This contributes to the risk that the Rail Baltica project will exceed both the budget approved in the CEF Grant Agreements and the implementation timeframe set out in the Grant Agreements and the Intergovernmental Agreement if the existing system is not improved to increase efficiency. At the end of 2019, the implementation of project activities is one and a half years behind the time schedule initially set in the Grant Agreements.

The Supreme Audit Institutions recommend:

RB Rail AS, its shareholders, and beneficiaries of the Rail Baltica project, that is, the ministries of all three countries responsible for transport must agree on the clear decision-making rules for the Rail Baltica project throughout all implementation levels and clear change and risk management plans to mitigate the risk of going over the project timeline and budget.

1.4. Results of public sector auditing (21)

Performance audits, compliance audits, and combined (compliance/ performance) audits (11)

Regional development and local and regional governments

Discussions on the role of local and regional governments in public administration, already started in 2018, enabled the State Audit Office to identify audit topics that would allow assessing the challenges related to the appropriate use of the resources.

First, the State Audit Office paid attention to the intentions of local and regional governments to invest significant resources in the development of their infrastructure and the readiness of local and regional governments to manage housing. The auditors have concluded that local and regional governments most often choose to start new projects by forgetting their responsibility for maintaining the existing housing stock. At the same time, the intention of the State Audit Office was verifying how one of the richest regional governments closest to the city of Riga works, as well as to be acquainted with the use of resources for associations and foundations.

Are the preconditions for compliance of safety-approved buildings under municipal management and control with safety requirements met?



[Read more...](#)

The State Audit Office concludes:

Thousands of Latvian residents live in their own or rented apartments in apartment houses managed by local or regional government, many of which are hazardous to health and life. The effective approach to housing safety has not actually existed in the country since the denationalisation process. A huge part of Latvia's housing stock degrades even to a condition of a slum due to insufficient investment by owners to carry out repairs, insufficient awareness and understanding of the population about the management of houses, and also weak monitoring of this process.

The State Audit Office recommends:

The Ministry of Economy must reassess existing housing policies and take action to find solutions to the safety of buildings, including through a comprehensive study of existing problems and the identification of solutions based on them. Other supervisory institutions such as the Ministry of the Interior, the State Fire and Rescue Service, and the Ministry of Environmental Protection and Regional Development, which supervise the legality of local and regional government activities, must also involve in solving problems related to the safety of buildings.

1.4. Results of public sector auditing (22)

Performance audits, compliance audits, and combined (compliance/ performance) audits (12)

Compliance of municipal infrastructure objects and project funding system, process, and criteria with principles of rational use, efficiency, and sustainability of finances



[Read more...](#)

[Read more...](#)

The State Audit Office concludes:

Most sports and leisure facilities will probably never be able to make a profit, and the necessary maintenance costs from local and regional governments will only increase every year. The procedure for granting loans also does not require the local and regional governments to evaluate the economy and efficiency of the project, compliance with the development planning documents approved by the local or regional government before receiving the loan. The practice of many local and regional governments in borrowing state budget funding excessively for the construction of the objects that do not correspond to the real situation and needs of local or regional government shows short-term thinking and irresponsible attitude towards their future expenditures.

The State Audit Office recommends:

Local and regional governments must plan major projects more carefully by recognizing that they are acting with the funds of their community. Local and regional governments work together to build and maintain infrastructure to provide services that are more efficient to population, as well as to prevent the challenges posed by limited funding and insufficient capacity. The Ministry of Finance must improve the requirements for evaluating loan applications in order to improve the operation of the local and regional government loan system.

1.4. Results of public sector auditing (23)

Performance audits, compliance audits, and combined (compliance/ performance) audits (13)

Lawfulness and expediency of earmarked subsidies granted to associations and foundations by Riga City Municipality



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

The State Audit Office concludes:

Control of the Riga City Municipality over the spending of funds in foundations has been formal because grants have been granted without assessment and justification. In the last three years, at least 20.9 million euros from the municipality- channelled funding have been wasted, which was allocated to two municipal foundations, Riga.lv and the Riga Tourism Development Bureau. From the point of view of the law, the establishment of foundations and associations for the management of municipal money raises reasonable suspicions about the non-transparent, inefficient, and even illegal use of funds. Such forms discredit the nature of foundations.

The State Audit Office recommends:

The Municipality must assess whether its further participation in the foundations is useful. Taking into account the audit findings, the State Audit Office informed the responsible institutions of the sector by proposing to assess the need to improve laws and regulations and inviting to determine the principles of the actions of local and regional governments with financial resources when they involve in establishing foundations and directing financial resources to foundations.

How does one of the richest regional governments in Latvia - Garkalne Regional Government - operate and manage?



[Read more...](#)

The State Audit Office concludes:

Although Garkalne Region is one of the richest among Latvian local and regional governments it is very hard or almost impossible to link its actions with the interests of its population. The facts established during the audit, as well as the actions and attitude of the representatives of that regional government allow concluding that the management of Garkalne Region has not observed the principles of good governance that is, openness, equality, and principle of legitimate expectations, as well as has infringed the laws and regulations in some cases regarding whose the State Audit Office has addressed the Corruption Prevention and Combating Bureau.

The State Audit Office recommends:

This regional government must improve the observance of the principles of openness and equal treatment, improve the regional development planning, ensure the implementation of development plans in practice, introduce control procedures in budget planning and execution, improve the organization of public order, and improve the supervision of municipal enterprises.

1.4. Results of public sector auditing (24)

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 2019 – 1:4.6

Estimated impact was 29,861,958 euros in 2019, while total expenditure of the State Audit Office by cash flow was 6,696,887 euros in 2019.

Impact of audit recommendations of the State Audit Office:

Cost reduction/ revenue increase - 3 million euros;

Benefit to the population - 26.9 million euros.

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

Recommendations provided in the audits of the State Audit Office, which one should have implemented in 2019⁴.

Sector	Recommendations to be implemented in 2019	Recommendation implemented in full	Implementation began
Defence	38	38	
Foreign affairs	1	1	
Economics	19	17	1
E-government	2	2	
Internal affairs	23	23	
Education, science, and sports	19	15	
Culture	25	24	
Welfare	7	6	
Agriculture, fisheries, and forestry	24	24	
Independent and other institutions	7	6	
Public finances	46	25	13
Regional development and local and regional governments	224	206	4
Justice	25	25	
Transport and communications	8	7	1
Healthcare	11	10	
Environmental protection	15	12	2

The audited entities have taken actions to implement 93.5% of the recommendations.

⁴ Data as of 26 February 2020

1.4. Results of public sector auditing (25)

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.

New powers of the State Audit Office

The State Audit Office drafted proposals for amendments to the State Audit Office Law aiming to facilitate legal and efficient handling of public sector funds and property so that individuals employed in the public sector would indemnify the state for losses caused by their illegal actions. In 2015, the proposals were submitted to the Public Expenditure and Audit Committee of the Saeima (Latvian Parliament).

On 20 June 2019, the 13th convocation Saeima adopted (80 MPs voted “for”, one MP “abstained”) the law “Amendments to the State Audit Office Law”. With the new powers, the Council of the State Audit Office will decide on the recovery of losses in cases where (1) the losses are caused by an illegal act but not by an ineffective act, (2) the individual does not reimburse them voluntarily and the audited entity or higher authority does not recover the loss. [Read more...](#)

The section of the Law on the recovery of damages will apply to audits initiated after 31 July 2019. [Read more...](#)

Cases on criminal offences ⁵

During the reporting period, 12 reports on 30 violations of laws and regulations identified during audits were sent to law enforcement bodies, which resulted in 3 criminal proceedings initiated, and nine sectoral investigations continued on nine reports during the reporting year.

Fourteen complaints have been lodged against seven decisions to terminate criminal proceedings adopted concerning reports sent in previous periods.

Cases on administrative violations ⁵

There were 13 reports on alleged administrative violations identified during audits sent on 17 violations identified in the audits, including eight violations were reported to the Corruption Prevention and Combating Bureau, eight violations were reported to the Procurement Monitoring Bureau, and one violation was reported to the State Labour Inspectorate.

There was information received from:

The Corruption Prevention and Combating Bureau about administrative fine on 8 individuals (including two individuals in respect of the reports sent in 2018) and a reprimand to 4 individuals;

The Procurement Monitoring Bureau, where 3 administrative violation proceedings were initiated regarding the reports sent in the reporting year (information on termination of one record keeping was received in March 2020), the lapse of time has occurred in two cases, and the Latvian Code of Administrative Violations does not provide for any liability in one case;

State Labour Inspectorate about terminated proceedings in an administrative violation case initiated after a report sent in the reporting year.

Disciplinary cases ⁵

The audited entities were provided with information related to the assessment of the liability of officials for the 13 irregularities identified in 6 audits. As a result, five individuals were subject to disciplinary action and one individual was reprimanded.

⁵ Data as of 31 December 2019

1.5. 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...](#)



INTOSAI standards. [Read more...](#)

~73 various standards covering financial audits, compliance audits, and performance audits on ~ 3,200 pages.

The State Audit Office is a member of the [Framework for INTOSAI Professional Pronouncements \(FIPP\)](#).

Participation with voting rights in the approval of international standards on public sector auditing and/or amendments thereto.



Participants of the meeting in Riga in June 2019.

The 11th Meeting of the Framework for INTOSAI Professional Pronouncements was held in Riga. The FIPP approved international standards for the operation of courts of supreme audit institutions, audits of information systems, and assessment of progress in the implementation of policies, as well as assessed draft standards for public-private partnerships, public procurement, and other audits.

[Read more...](#)

Novelties in auditing organisation

Expanded cooperation with municipal certified auditors to get an idea of the situation in all 119 local and regional governments during the audit of the annual consolidated financial statement of the state. When determining a horizontal issue of compliance, the State Audit Office invites the certified auditors of local and regional governments to check the compliance of the raised issue with the statutory provisions according to a certain methodology. Certified auditors provide opinions.

Improved cooperation with internal audit within the audit of the annual consolidated financial statement. The work of internal auditors in the form of direct assistance has been used in practice.

There are guidelines for determining the impact of audit results elaborated in collaboration with an expert from the GAO Center for Audit Excellence (USA). One plans to classify the rate of return as recommendations with quantifiable impact (financial impact, benefit to the population, and economic impact) and recommendations with non-quantifiable impact.

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.



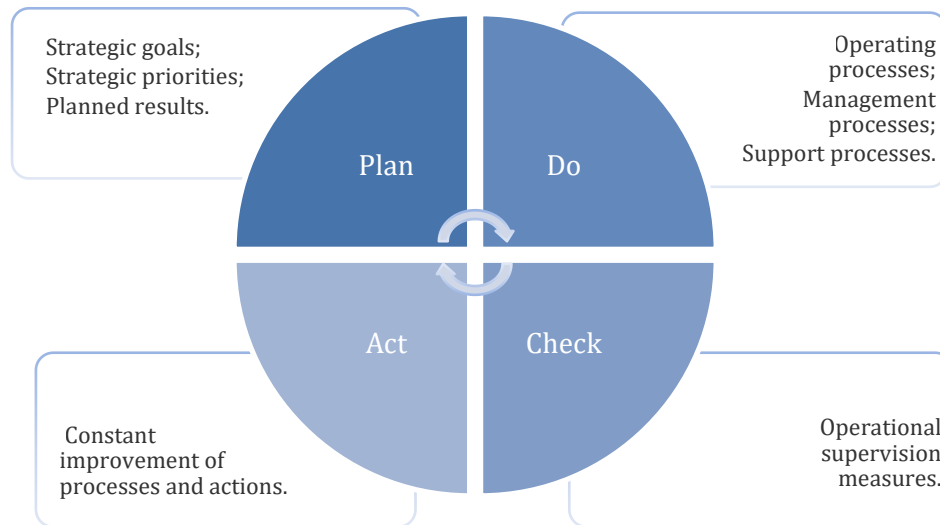
Creation of audit files;
Archiving of audit files.

1.6. 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)”.

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



Quality control and management

Audit quality control – for each conducted audit.

Assurance of compliance with standards and identification of best practice.

Quality control of draft audit plans and draft reports – for each conducted audit.

Compliance of audits with international standards and best practice; increase in the impact of audits and value of audit results.

Internal audit – pursuant to the plan for the performance of internal audits and compliance checks.

Providing an assessment for improvement of operation and efficiency of the internal control system

Compliance checks – pursuant to the plan for the performance of internal audits and 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.

Analysis of working process assessment indicators – continuous collection and analysis of information.

Identification of potential risks in the implementation of processes.

Self-assessment of the quality management system – once a year.

Preparation of assessment of system compliance with the requirements of ISO standard.

Analysis of performance results and indicators – once a quarter.

Assessment of the implementation of the work plan of the State Audit Office.

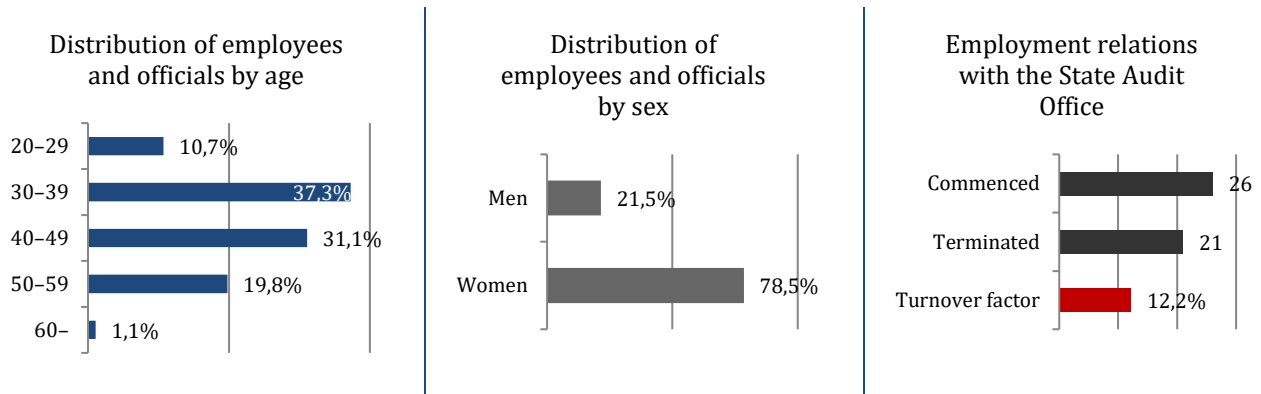
Analysis of contributions, performance, and indicators – every six months.

Evaluation of the implementation of the operational strategy of the State Audit Office.

1.7. 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 177 employees and officials, of which 134 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).

Attracting new professionals

Guest lectures at the Faculty of Business Administration and Economics of the University of Latvia.

Participation in the Career Day event organized by the BA School of Business and Finance.

Students of the Latvia University of Life Sciences and Technologies at the State Audit Office – conversations on the role of the State Audit Office in public administration of Latvia and opportunities of working as an auditor.

Future accountants of Liepaja State Technical School – topical issues regarding the State Audit Office, according to what principles the State Audit Office works, what audits are, and what the work of the auditor includes.

Job Shadow Day – The State Audit Office welcomed two individuals interested in a future job here.

There is a series of articles launched in *Facebook* titled Unknown profession – State auditor. [Read more...](#)

Auditor certification

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

There are two certification training programs accredited, i.e., for financial and performance audits. One signed a cooperation agreement Stockholm School of Economics in Riga Ltd on the implementation of the professional development education program.

13 employees received certificates for the acquisition of both programs (“Financial Audit in the Public Sector” and “Performance Audits in the Public Sector”), 6 employees only for the acquisition of the program “Financial Audit in the Public Sector”, and 6 employees for the acquisition of the program “Performance Audits in the Public Sector”.



Thoughts of the students of the Liepaja State Technical School about the State Audit Office.

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.

A member since 1994.

Member of the INTOSAI Framework of Professional Pronouncements.

Member of one working group.

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...](#)

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).



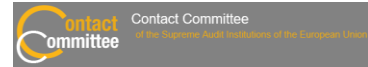
Organization of European Supreme Audit Institutions.

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...](#)

Cooperation mechanisms with other supreme audit institutions

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

Coordinated audit of poverty alleviation measures taken (in cooperation with the SAIs of Bulgaria, Croatia, Slovakia and Hungary).

Joint audit on the management of internal control system and public procurement of the Rail Baltica project (performed in cooperation with the Estonian and Lithuanian SAIs). [Read more...](#)

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

Provides advisory support to SAIs in developing countries. Technical assistance agreements concluded as a result of international tenders (including working in consortia with foreign consulting companies), Twinning projects (projects between public sector institutions of EU Member States and EU candidate countries), involvement of individual employees of the State Audit Office in OECD/Sigma and other consulting projects.

Memoranda of Bilateral Cooperation with 15 SAIs of other countries.

In 2019, a new Memorandum of Cooperation was signed with the Accounts Chamber of Tajikistan.

Participation in INTOSAI Development Initiative (IDI⁶) becoming a donor in the sense of international development aid. 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.

⁶ IDI is established in 1989 during the INTOSAI Congress in Sydney for implementing various development programs of the

2.1. International Activities (2)

International cooperation activities in Latvia

The 50th EUROSAI Governing Board meeting



The 50th Meeting of the EUROSAI Governing Board in Jurmala.

As a member of the EUROSAI Governing Board, the State Audit Office hosted 12 heads of SAIs of the European region in Latvia. Discussions on the future tasks of public sector auditing.

International trends such as digitalisation, artificial intelligence development, cybersecurity, and other regional and global challenges are important topics that national SAIs also address. [Read more...](#) [Watch here...](#)

Meeting of the Framework for INTOSAI Professional Pronouncements



The 11th FIPP meeting in Riga.

The 11th meeting of the Framework for INTOSAI Professional Pronouncements organised is a confirmation that Latvia is becoming a centre of competence for public sector auditing standards at the international level as well. [Read more...](#)

Since 2017, the State Audit Office has been a full-fledged member of the FIPP and was selected to work in the FIPP through a competition among those SAI representatives who are able to make the greatest contribution professionally to the development of the auditing sector.

Tajikistan SAI's visit

Colleagues from Tajikistan were introduced to the experience of the State Audit Office on human resource planning, staff training, implementation of the Performance Evaluation Management System, development of the annual work plan, working time accounting system, IT infrastructure, IT security solutions, and audit support tools of the State Audit Office. [Read more...](#)

Kazakhstan SAI's visit

Colleagues from Kazakhstan were provided with information on the evaluation of the efficiency of local and regional governments in audits and the process of planning such audits, and drafting recommendations after audits. [Read more...](#)

Visit by the SAI Georgia and MPs

There was information on practical issues of audits and cooperation with the Latvian Parliament provided. [Read more...](#)

Visit by the Indonesian Auditor General

Colleagues from Indonesia were introduced to the governance model of the institution and experience in practical issues of audits, cooperation with the Saeima, the process of implementation of audit recommendations, and strategic goals and challenges to achieve them.

Visit by the Auditor General of Bhutan

There was experience of the State Audit Office on conducting audits, monitoring the implementation of recommendations and co-operation with the Saeima, as well as on the new strategic initiatives and development plans of the State Audit Office delivered. [Read more...](#)

Participation in the meeting of the heads of Latvian diplomatic missions abroad and Latvian ambassadors residing in Riga on the international activities of the State Audit Office organized by the Ministry of Foreign Affairs. [Read more...](#)

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

I E G U L D Ī J U M S T A V Ā N Ā K O T N Ē

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

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...](#)

The State Audit Office as a beneficiary.

Implemented activities: (1) Training of auditors on basic aspects in anti-corruption and reduction of shadow economy, ICT management in the public sector, publication of audit results, determination of audit financial impact, legal aspects of appropriate and efficient use of public funds and assets, economic risk analysis methods and their practical application, research and statistical methods, management of state-owned and municipal enterprises, and policy impact assessment; (2) The involvement of 14 independent sectoral experts/ consultants in audits was ensured; (3) 28 professional competence improvement measures have been implemented abroad; and (4) There were guidelines for determining the impact of audit results developed and tested, and there was training of 117 employees on determining the impact of audit implemented.

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)”



Project budget:
27,000 euros
(Funding of the bilateral
development cooperation budget
of the Ministry of Foreign
Affairs').
Implementation period:
From May to December 2019

Target: to support the SAIs of the above-mentioned countries in their transition to auditing in line with international standards on auditing.

Implemented activities: (1) There was training provided on performance audits, preparation of reports, coordination of reports and recommendations, “added value” of audits, Latvian practice regarding implementation of ethical requirements, quality management and control, etc.; (2) Direct support provided to 121 auditors of partner institutions for professional development in practical audit issues. [Read more...](#) [Read more...](#)

2.2. International Projects (2)

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



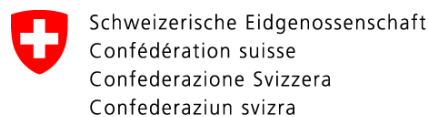
Project budget:
2.18 MEUR
(Funding from the financial
means provided for the EC
External Financial Assistance).
Implementation period:
From January 2017 to May 2020.

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...](#)

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

Implemented activities: (1) The involvement of the State Audit Office experts in the development of the code of ethics and organisation of training has been ensured; (2) Support for the use of IT in audit work and the development of the necessary procedures; (3) Provided 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. [Read more...](#)

Project “Support for activities to improve the transparency of the Supreme Audit Institution of Vietnam and the monitoring of public funds”



Project budget: 3.9 MEUR
(Funding from the European
Commission and the Swiss
Secretariat for Economic Affairs
without the financial
participation of Latvia).
Implementation period:
From 2017 to 2020.

Target: provide support to the SAI of the Socialist Republic of Vietnam in strengthening its capacity to conduct public sector audits, as well as strengthening institutional capacity, including adherence to the principles of independence in order to align its activities with SAIs’ best practices and recognised ISSAI standards.

A consortium has been formed, which includes the French Technical Assistance Agency, the SAI France, the SAI Portugal, SAI UK, and the State Audit Office of the Republic of Latvia.

Implemented activities: (1) Support was provided for capacity building of SAI Vietnam in practical aspects of auditing annual financial statements, including government debt audits; (2) Provided support for the improvement of the follow-up process to the audit recommendations of the SAI Vietnam; (3) The involvement of the experts of the State Audit Office for the improvement of cooperation and communication aspects with the audited entities and stakeholders, including communication and cooperation with the Parliament was ensured; (4) Support of experts of the State Audit Office and transfer of good practice for improvement of the structure of audit reports, and promotion of their comprehensibility.

3. The 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.

Population-based data⁷: 90% of opinion leaders consider the audit topics selected by the State Audit Office to be significant, and 76% of opinion leaders believe that the recommendations of the State Audit Office help state institutions to make better quality decisions.

Public information



Meeting with the Head of State and the Head of Government



H.E. President of Latvia Egils Levits paid a visit to the State Audit Office.



Prime Minister Arturs Krišjānis Kariņš meets Auditor General Elita Krūmiņa.

State development expenditure and the state budget formation, assessment of the responsibility of officials and improvement of the quality of related legal provisions were the key topics of discussion when the Auditor General and the Council of the State Audit Office met with the President of Latvia. [Read more...](#)

Both officials agreed on co-operation based on a common understanding of the need to act responsibly with public funds and in the name of Latvia's future interests.

⁷ In cooperation with Public Research Centre SKDS, there was a survey of opinion leaders "Image of the State Audit Office of the Republic of Latvia and evaluation of its activities from the point of view of opinion leaders" conducted in January 2019. Total contract sum constituted 7.227.94 euros (including VAT).

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

Public involvement

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

Cooperation with non-governmental organizations, whose represented interests correspond to the current audits of the State Audit Office.

Survey of residents on useless objects in local governments. [Read more...](#)

At the LAMPA Conservation Festival, the State Audit Office organised a discussion “Audit of the State Audit Office: How not to implement bad administrative-territorial reform”.

At the LAMPA Conservation Festival, the State Audit Office initiated a practical conversation about the rights and obligations of various designated individuals when taking care of their apartment and the entire house.

Cooperation with the Saeima

There were 48 meetings of the Public Expenditure and Audit Committee of the Saeima attended. [Read more...](#)

24 other meetings of Standing Committees and Sub-committees of the Saeima were attended. (for example, Committee for Human Rights and Public Affairs; Committee for Defence, Home Affairs, and the Prevention of Corruption; Committee for Public Administration and Local and Regional Government; Committee for Social and Labour Affairs; Public Health Subcommittee of the Committee for Social and Labour Affairs; Budget and Finance (Tax) Committee; Subcommittee for Higher Education, Science, and Innovation of the Committee for Education, Culture, and Science; and Legal Committee).

Public Council of the State Audit Office [Watch video...](#)

Involvement of members of the Public Council in identifying, planning, and conducting audit topics.

Council meetings on amendments to the State Audit Office Law, shortcomings that hinder the prosecution of officials, activities of associations and foundations (aspects identified in audits), communication with the public, and other issues. [Read more...](#)

Certificate of Acknowledgment [Read more...](#)

To Ms Anda Rožukalne for a significant and professional contribution to the development of analytical sections of the audit report “Is the planning and implementation of public procurement organised purposefully?”.

To Association “City for People” for purposeful, responsible, and professional cooperation with the State Audit Office.

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

Educational events and discussions on audits

On the audit “Is the action of local and regional governments with financial resources when ensuring the transportation of students legal and efficient?” at the Latvian Training Centre for Local and Regional Governments.

On the audit “Is the action of local and regional governments in planning and implementing infrastructure development projects legal and efficient?” at the Latvian Training Centre for Local and Regional Governments.

On the audit “Has one used all opportunities in the public administration for the effective governance of ICT infrastructure?” at the Forum of Heads of State Information and Communication Technology Management in Riga.

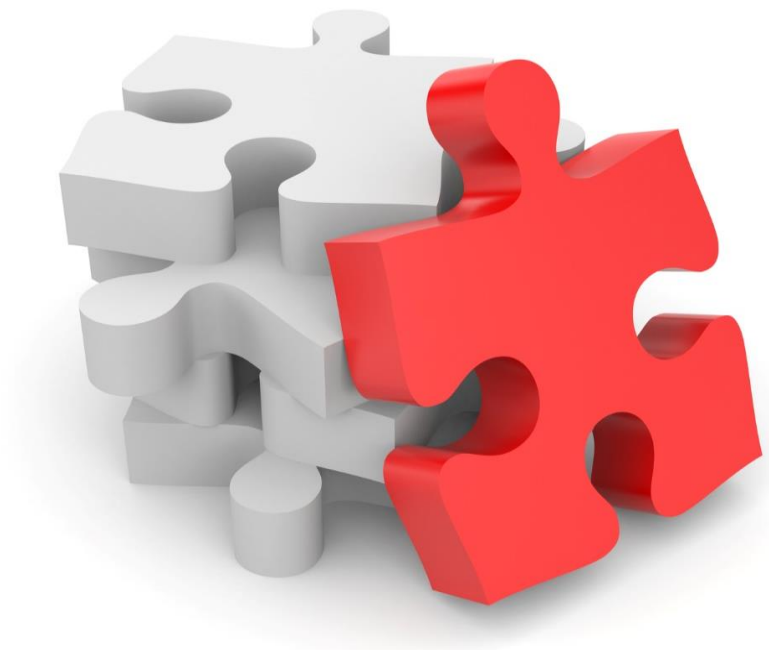
On budget issues including the audit “Efficiency of the Budget Management System: Part 1 - Evaluation of the efficiency of the budget planning cycle” at the State Audit Office.

On the improvement of services after the audit performed by the State Audit Office in local and regional governments in co-operation with the Ministry of Environmental Protection and Regional Development in Ikšķile.

“How to read the reports of the State Audit Office?” at the meeting of the Latvian Association of Journalists in Kandava.

Participation of the State Audit Office employees in more than 13 discussions / events.

4. Financial Resources and the Priorities for the Next Year



4. Financial Resources and the Priorities for the Next Year

Financial indicators

No	Financial indicators	Previous year (actual execution)	Reported year	
			Approved in the Law	Actual execution
1.	Resources to cover expenditure (total)	6 400 225	6 865 036	6 709 803
1.1.	Revenue from paid services and other own revenue	96 600	178 000	62 166
1.2.	Transfers	27 000	26 695	33 986
1.3.	Grant from general revenue	6 269 639	6 660 036	6 620 942
2.	Expenditure (total)	6 498 027	6 882 930	6 696 887
2.1.	Maintenance costs	6 338 625	6 696 552	6 511 425
2.1.1.	Current expenditure	6 336 135	6 694 023	6 509 148
2.1.1.1.	Remuneration	5 028 932	5 320 779	5 229 820
2.1.1.2.	Goods and services	1 307 203	1 373 244	1 279 328
2.1.2.	Subsidies, grants, and social benefits	320	320	320
2.1.3.	Current payments to the European Community budget and international cooperation	2170	2209	1957
2.2.	Capital expenditure	159 402	186 378	185 462

Priority measure 2019–2021

Application for a priority measure of the State Audit Office “Capacity building of the State Audit Office for the development of public sector auditing”.

Target: The State Audit Office is developed as a nationally and internationally recognised centre of competence for public sector auditing, thus promoting the activities of public sector institutions in the public interest and raising the country’s reputation at the international level.

Additional allocation of 329,930 euros in 2019 (including 172.660 euros for staff salaries), and of 172,660 euros for staff salaries every year henceforth.

Priorities for 2020

Increasing the scope of compliance inspections in financial audits to ensure that actions of ministries comply with legislation, planning documents, and nationally or internationally accepted practices.

Carry out compliance audits, performance audits, and combined audits in areas of public interest, while assessing the feasibility of verifying that the additional emergency funding for the curb of COVID-19 has been used for its intended purpose and that the support has reached the right recipients.

Assessing the financial impact of audit recommendations would increase public sector revenue or prevent illegal and inefficient expenditure.

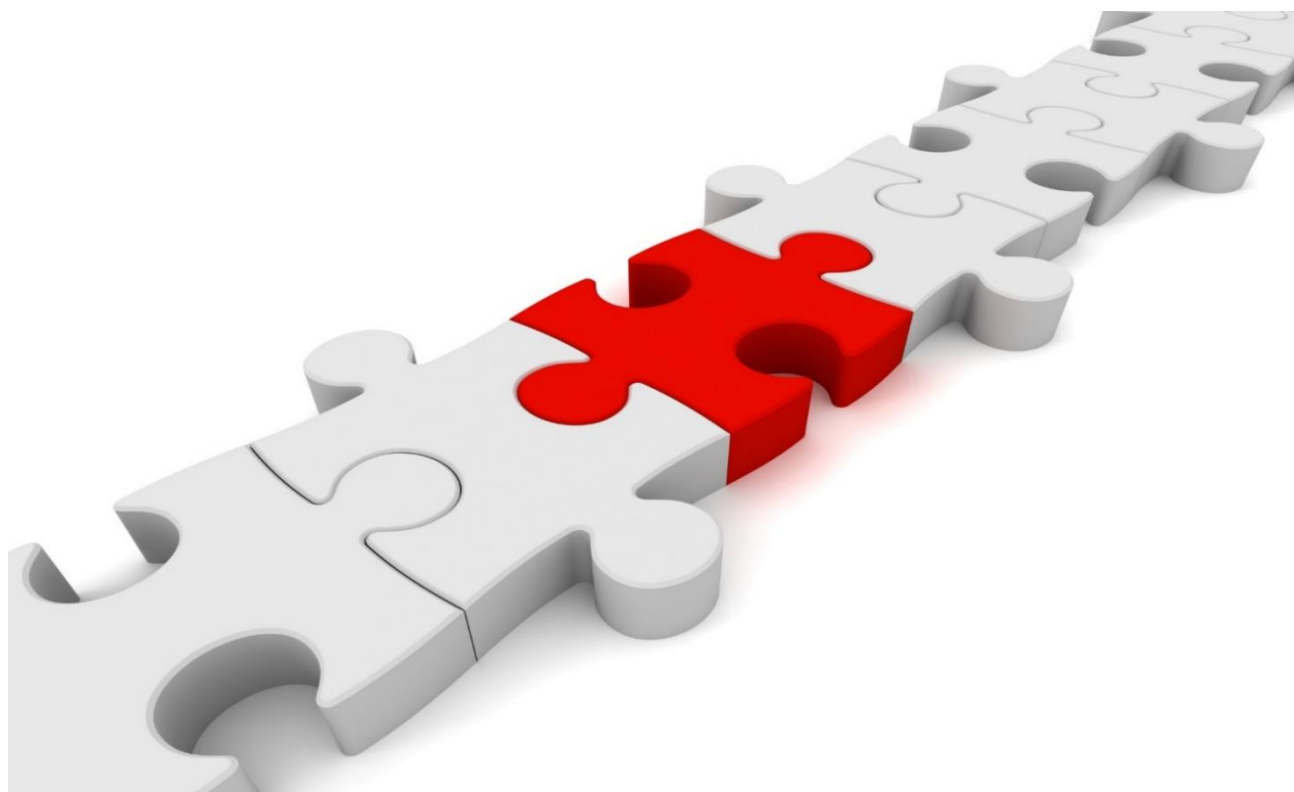
Informing law enforcement agencies on infringements of laws and regulations identified during audits and providing support in reviewing audit materials and evaluating the violations identified.

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

Full participation in the management structures of international organisations, the EUROSAI Governing Board and the Framework for the INTOSAI Professional Pronouncements.

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

Maintenance of the certification system for the Heads of Sector and auditors of Audit Departments in the appropriate professional quality for the performance of audits by the State Audit Office.



50 Skanstes Street, Riga, LV-1013



67017500



www.lrvk.gov.lv



lrvk@lrvk.gov.lv



@VKontrole



VKontrole



LRVK



Latvijas Republikas Valsts kontrole



valstskontrole



valstskontrole



Valsts kontrole



Latvijas Republikas
Valsts kontrole