

# 100 YEARS OF AUDIT STRENGTH

## Public Annual Report 2023 of the State Audit Office of the Republic of Latvia

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Riga 2024



State Audit Office  
Republic of Latvia



## Public Annual Report 2023 of the State Audit Office of the Republic of Latvia

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# Table of Contents

Foreword.....	4
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<b>1. Scope of the State Audit Office of Latvia.....</b>	<b>6</b>
1.1. Basic information.....	7
1.2. Structure.....	10



<b>2. Performance of the State Audit Office of Latvia.....</b>	<b>12</b>
2.1. Key goals achieved in 2023.....	13
2.2. Results of financial audits on the accuracy of annual financial statements and their results.....	14
2.3. Results of performance, compliance, and combined (compliance/performance) audits.....	23
2.4. Implementation of audit recommendations.....	37
2.5. Examination of irregularities identified during audits .....	41
2.6. Public relations.....	44
2.7. International activities.....	48
2.8. International projects.....	50
2.9. Internal control system.....	51
2.10. Sustainability activities.....	52



<b>3. Resources of the State Audit Office of Latvia.....</b>	<b>53</b>
3.1. Human resources.....	54
3.2. Financing of the State Audit Office and its use.....	58



<b>4. Priorities for the next year.....</b>	<b>61</b>
Priorities for 2024.....	62

# Foreword

Dear Reader,

At the end of a significant year for our institution when we celebrated the hundredth anniversary of the adoption of the State Audit Office Law of Latvia, we offer you to familiarise yourselves with the most important achievements in the work of our institution in its Annual Report 2023.

As a supreme audit institution, the State Audit Office of Latvia explores the challenges in public administration. The State Audit Office of Latvia traditionally provides recommendations through audits, the implementation progress of which is carefully monitored. The Annual Report also reflects the success in the implementation of the recommendations provided by the State Audit Office of Latvia and the assessment of their impact.

However, in my foreword, I would like to draw attention to the challenges that need to be paid special effort for them to be overcome. Challenges that one cannot overcome by amending law and regulations, adopting a new law or introducing new procedures because these issues are based in the attitude, motivation and values with which we approach our responsibilities every day. They require a critical look at one's work and the courage to change in order to increase public trust in the public sector, to ensure that the development of our country is more targeted and progresses more rapidly, and to improve the return the public receives from the work of the public sector.

Each of us can define our values differently but I am convinced that the most important task is to make better that which we already have. Therefore, I will allow myself to look at these challenges through the prism of the values of the State Audit Office of Latvia, that is, cooperation, accountability, development.

With the value *Cooperation*, I wish to encourage greater mutual trust and openness. We are all well aware that today any large or nationally important issue can be solved qualitatively and efficiently only through collaboration among departments, state institutions, public organisations, local and regional governments, and the private sector. Interested people, mutual communication and trust facilitate the productivity of cooperation much more than regulations, councils and orders. Cooperation unleashes initiative and creativity. All wins are bigger when we work together.

In terms of the value *Accountability*, I would like to invite the public sector to openness without compromise both in ensuring the availability of information and in following transparency in the decisions made. If we wish to gain public trust, we cannot be open only when it is beneficial, or only to the extent that we do not receive uncomfortable questions about our decisions, regardless of who asks them, a journalist preparing a publication or a Member of Parliament voting on the state budget. Openness is a prerequisite that makes our decisions better, our mistakes smaller and public trust grows.



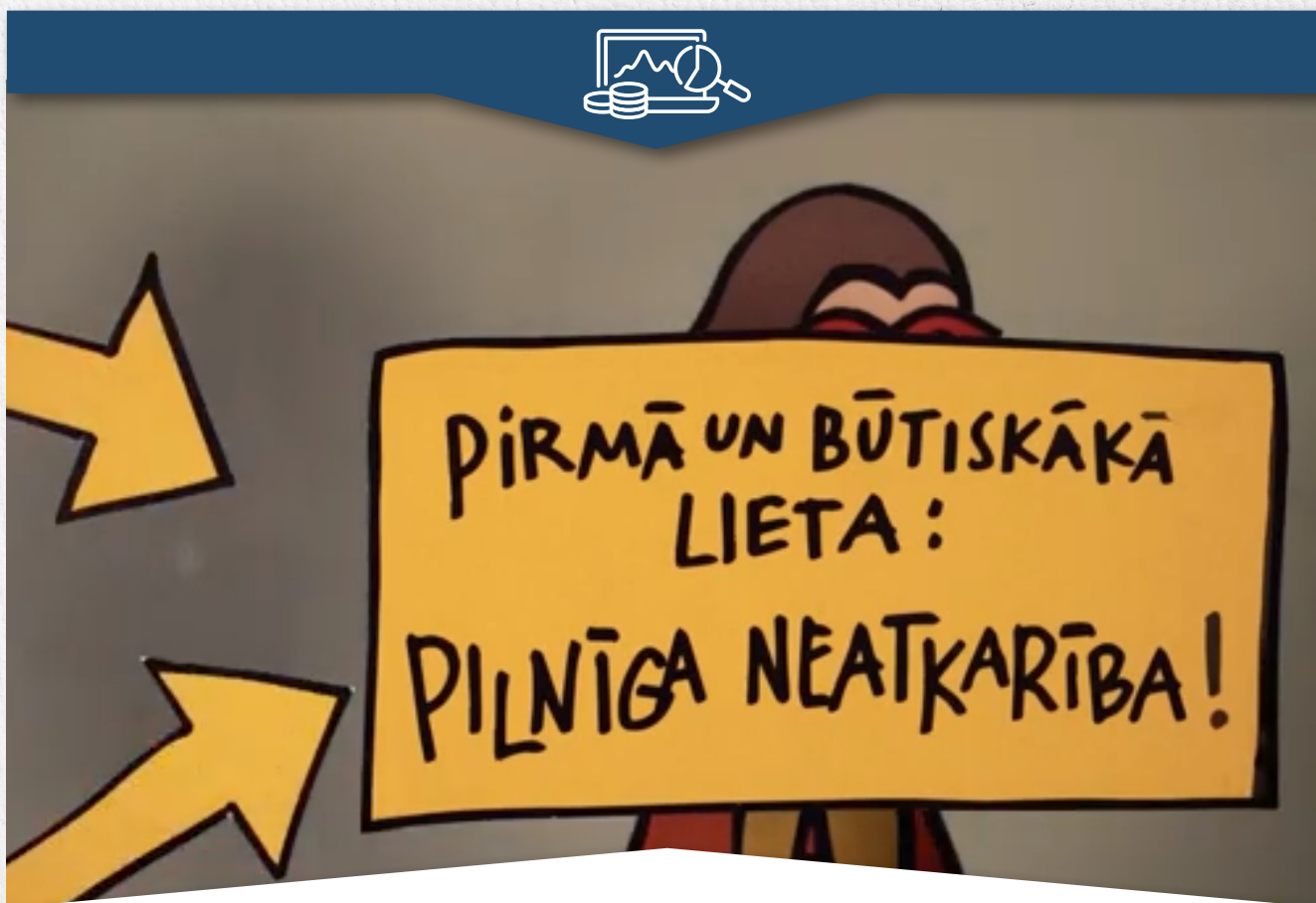


The third value, *Development*, is about how truly ready we are for change. How and do we change, find more convenient, more effective solutions and do we implement these approaches in public sector work? Where can we get rid of red tape? How can two people do what was previously done by four? Development is the ability to change what is no longer good enough. It is not a 'project for next year' but part of a culture in which everyone participates.

Respectfully  
Mr Edgars Korčagins  
Auditor General,  
Chair of the Council of the State Audit  
Office of Latvia  
Riga, May 2024







# SCOPE OF THE STATE AUDIT OFFICE OF LATVIA

1.1. Basic information

1.2. Structure

"The first and most important thing: total independence"



## 1.1. Basic information



State Audit Office  
Republic of Latvia

**The State Audit Office of the Republic of Latvia** is one of the independent state institutions enshrined in the Satversme (Constitution) of Latvia, an independent, collegial supreme audit institution, which is subject only to the law and the purpose of its activity is to follow whether the actions with financial resources and property of public funds are legal, correct, effective, economical, and efficient.

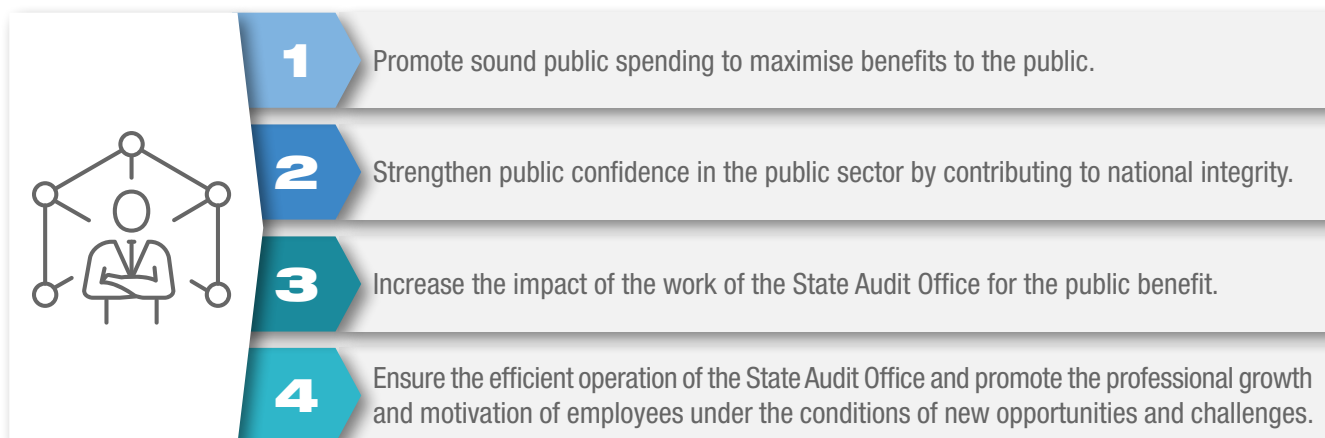
### Strategy of the State Audit Office of Latvia 2022- 2025

The Strategy of the State Audit Office of Latvia 2022-2025 is a medium-term development planning document, the purpose of which is to ensure effective planning and implementation of the activities of the State Audit Office of Latvia within the scope of its functions and tasks.

[The Strategy](#) defines the mission, vision, values, purpose and lines of action of the State Audit Office of Latvia.



### Lines of action of the State Audit Office of Latvia





## Legal framework and competence



[Sections 87 and 88 of the Satversme \(Constitution\) of Latvia](#)

[The State Audit Office Law](#)

[The Law on Audit Services](#)

[Law on Budget and Financial Management](#)

[ISSAI<sup>1</sup> standards](#)

[UN resolutions](#)

The Statutes of the State Audit Office and other internal regulations of the State Audit Office

In its activities, the State Audit Office of Latvia complies with the principles of state administration and other legal provisions applicable to the work of state institutions.

<sup>1</sup> International public sector auditing standards that comply with the requirements recognized and approved by the International Congress of Supreme Audit Institutions regarding the work of supreme audit institutions and the recognition of which in Latvia is determined by the Auditor General.

## 100 years of the State Audit Office of Latvia

On 16 August 2023, the State Audit Law turned 100 years old. With the adoption of this Law, the State Audit Office transferred from a formal de facto institution founded on 2 December 1918 to a de jure independent, collegial supreme audit institution of the Republic of Latvia.

To mark the Centenary, an international conference “100 years of AUDIT STRENGTH” was organised, which was attended by Auditor Generals and senior representatives of eight supreme audit institutions (SAIs), as well as Director General of the INTOSAI Development Initiative (IDI).



The conference looked back at the origins of the State Audit Office of Latvia and significant milestones in the history of the State Audit Office and the Republic of Latvia. The State Audit Office's contribution to the overall growth of public administration and the country was assessed, as well as the transfer of the State Audit Office's competencies on an international scale. Future challenges were also discussed.



The conference included a separate international discussion with eight SAI leaders and top-level representatives on SAI cooperation with non-SAIs (public administration, public organizations, etc.).

## The State Audit Office of Latvia in the twists and turns of history

In honour of the Centenary of the State Audit Office of Latvia, a section [“Centenary”](#) has been created on the website of the State Audit Office of Latvia, which contains historical articles, essays by participants of the conference “100 years of the AUDIT STRENGTH”, a summary of significant historical facts on a timeline, cartoons, etc.

Explaining the activities of the State Audit Office of Latvia from its beginnings to the present day, a short film [“What is the State Audit Office of Latvia? The Audit Superpower!”](#) has been produced.



## 1.2. Structure

The State Audit Office of Latvia consists of the **Auditor General, the Council of the State Audit Office of Latvia, six Audit Departments and support functions.**

**The Auditor General** is the Chairperson of the Council of the State Audit Office of Latvia. The Auditor General is appointed to office by the Saeima (Parliament of Latvia) for a term of four years and may be reappointed for no more than two consecutive terms. The Auditor General determines the audit methodology, requirements for audit quality control and is responsible for establishing an internal control system. He also performs other duties in accordance with the State Audit Office Law.

Changes occurred in the management of the State Audit Office of Latvia during the reporting year, as Mr Rolands Irklis left the position of Auditor General on 2 December 2023 and the position of [Auditor General is held by Mr Edgars Korčagins from 14 December 2023.](#)

The Saeima approves **Council Members of the State Audit Office of Latvia** for four years upon the recommendation of the Auditor General. Council Members may be re-appointed, but for no more than two consecutive terms. A selection procedure is held for positions of Council Member of the State Audit Office, except if the Auditor General decides to recommend a current Council Member for re-approval in the Saeima. On the recommendation of the Auditor General, the Saeima approved Ms Inga Vilka as a Council Member of the State Audit Office for a second term on 2 February 2023. Council Members of the State Audit Office are also appointed by the Auditor General to the position of a Director of an Audit Department of the State Audit Office of Latvia. The Council of the State Audit Office approves the regulations stipulating the activities of the State Audit Office of Latvia and examines other issues in accordance with the State Audit Office Law.

**The Audit Departments** are responsible for conducting financial, compliance and performance audits in accordance with an annual audit plan approved by the Council of the State Audit Office of Latvia.

**The support staff** of the State Audit Office of Latvia covers strategic planning, supervision and analysis; project, process and quality management; human resource development and management; legal service and assessment of violations of audited entities; public relations and internal communication; international cooperation; financial management; information technology maintenance and development; maintenance and support; record keeping and administrative functions.

During the reporting year, there were changes in the structure of the State Audit Office of Latvia. When reviewing the functions, the Violations Assessment Division was merged with the Legal Division. After assessing the need to strengthen the internal control system in the institution, an internal auditor position was created. When redistributing functions, the Strategy and Development Division was reorganized by establishing the Strategy and International Cooperation Division. As a result, the Policy and Process Analysis Unit, which was part of the Division, was terminated, one support function was reduced and transformed into an audit function, and a position of an expert in quality management system and audit improvement issues was created within the Office of the Auditor General. The number of employees has not increased as a result of the changes.

The (1) Ethics Commission; (2) Audit Commission; (3) Expert group for quality control of draft audit plans and draft reports **operate permanently in the State Audit Office of Latvia.**

**In cooperation with external partners, the State Audit Office of Latvia established:** (1) Public Council that performs advisory functions, including consulting and expressing an opinion on audit topics planned by the State Audit Office in all sectors of the national economy by helping to identify experts for engagement in audits that require specific knowledge and experience; (2) Attestation Commission with the aim of providing an opinion to the Auditor General on the suitability of candidates for the position of Head of Sector and the suitability of Heads of Sector for the position held; (3) Certification Commission, which decides on the issuance or refusal of a certificate for auditing and recertification.

## Structure of Audit Departments

Sector	Employees <sup>2</sup>	Distribution of audit areas <sup>3</sup>	Total audited budget <sup>4</sup>	
The First Audit Department Council Member, Department Director Inese Kalvāne				
The First Sector	11	Ministry of Foreign Affairs, Ministry of Education and Science, National Electronic Mass Media Council, Public Electronic Mass Media Council	1,18 B EUR	
The Second Sector	6	Ministry of Transport	789,94 M EUR	
The Third Sector	6	Ministry of Economics, Public Utilities Commission and performance, compliance audits in energy policy area	738,29 M EUR	
The Second Audit Department Council Member, Department Director Kristīne Jaunzeme				
The First Sector	8	Ministry of Defence, Corruption Prevention and Combating Bureau	1,20 B EUR	
The Second Sector	6	Ministry of the Interior, Prosecutor's Office of Latvia	683,64 M EUR	
The Third Sector	6	Ministry of Justice, Supreme Court of Latvia, Constitutional Court of Latvia	353,14 M EUR	
The Third Audit Department Council Member, Department Director Maija Āboliņa				
The First Sector	7	Ministry of Welfare	1,07 B EUR	4,25 B EUR <sup>5</sup>
The Second Sector	7	Ministry of Health	1,80 B EUR	
The Fourth Audit Department Council Member, Department Director Inga Vilka				
The First Sector	7	Ministry of Agriculture, Ombudsman's Office of Latvia	672,04 M EUR	
The Second Sector	6	Ministry of Environmental Protection and Regional Development, Ministry of Climate and Energy (performance and compliance audits in climate policy), Cabinet of Ministers	229,46 M EUR	
The Third Sector	8	Ministry of Culture, Social Integration Foundation	288,93 M EUR	
The Fifth Audit Department Council Member, Department Director Edgars Korčagins (until 13 December 2023) <sup>6</sup>				
The First Sector	5			
The Second Sector	6	Chancery of the President of Latvia (6.91 million euros) and local and regional governments, their institutions, agencies and state-owned enterprises, derived legal entities under public law		
The Third Sector	6			
Audit and Methodology Department Council Member, Department Director Ilze Bādere				
The First Sector	11	Ministry of Finance and the Annual Consolidated Financial Statement of the Republic of Latvia on the Outturn of the State Budget and Municipal Budgets	1,56 B EUR	16,96 B EUR <sup>7</sup>
		Quality control of closed audits		
The Second Sector	7	Audits in the field of information and communication technologies and e-government implementation; information systems audit in financial audits and assessment of the usefulness of information and communication technologies; information systems audit methodology; big data analysis; support in audits in the use of support tools		
The Third Sector	5	Central Election Commission	767,560 EUR	
		audit methodology; management of recommendations; promotion of audit quality; ensuring exchange of experience among employees		

<sup>2</sup> Number of staff and officials in Audit Departments, including long-term absentees as of 31 December 2022.

<sup>3</sup> Including institutions under its subordination and supervision. Distribution of audit areas by Audit Departments in accordance with the decision of the Council of the State Audit Office of Latvia of 15 May 2023 (minutes No 28, 5 §).

<sup>4</sup> Operational Report. Outturn of the Ministry's basic budget revenues and expenditure in 12 months of 2023 (total expenditure. Outturn of the reporting period.).

<sup>5</sup> Operational Report. Outturn of Execution of special budget revenue and expenditure in 12 months of 2022 (total expenditure. Outturn of the reporting period.).

<sup>6</sup> Acting Director Ilze Bādere from 14 December 2023 to the end of the reporting period.

<sup>7</sup> Operational Report. Outturn of the consolidated state budget (January – December 2023).





# PERFORMANCE OF THE STATE AUDIT OFFICE OF LATVIA

- 2.1. Key goals achieved in 2023
- 2.2. Results of financial audits on the accuracy of annual financial statements
- 2.3. Results of performance, compliance, and combined (compliance/ performance) audits
- 2.4. Implementation of audit recommendations
- 2.5. Examination of irregularities identified during audits
- 2.6. Public relations
- 2.7. International relations
- 2.8. International projects
- 2.9. Internal control system
- 2.10. Sustainability activities

## 2.1. Key goals achieved in 2023

### Increased capacity for performance audits

Of the completed performance, compliance and combined audits, **77%** were performance audits. Of the resources used for performance, compliance and combined audits, **91%** were directed to performance audits.

### Audits have been conducted that focus on assessing efficiency issues with the greatest possible benefits to the public

All performance audits were conducted in high and medium risk areas. In **62%** of the completed audits, a comparison of Latvia with other countries was provided, and the degree of achievement of internationally set goals was assessed in **46%** of completed audits.

### Streamlining financial auditing

While optimising the scope of work to be performed in audits, work has been carried out on the implementation of an internal project, namely, transition to a single opinion (in the audit of the annual consolidated financial statement), including standardized audit programs and the development of automated analysis tools.

### Significant and socially visible impact of recommendations achieved

There are **359** recommendations provided to address the identified irregularities in all types of audits<sup>8</sup>. The audited entities have taken action to implement **93.7%** of recommendations<sup>9</sup>. As a result of implementing the recommendations provided, a financial return of **1:2.99** has been achieved.

### Maintained cooperation with law enforcement bodies and implemented recovery of losses

Five criminal proceedings have been initiated following reports from the State Audit Office of Latvia. As a result of the recovery of losses, more than **23,000** euros were recovered.

### Public participation in auditing promoted

More than **56** socially active organizations are involved in the audit work. The Public Council of the State Audit Office of Latvia has been approved with a new composition.

### 100 years of AUDIT STRENGTH

An international conference "100 years of AUDIT STRENGTH" was organised. An international discussion was held with SAI leaders and senior representatives on SAI cooperation with stakeholders.

### Strengthened cooperation between SAIs and internal auditors

A forum was organized in Brussels together with the European Confederation of Institutes of Internal Audit by bringing together representatives of more than **80** European SAIs and internal audit institutions.

### Improved sustainability performance

The first results in the field of environmental sustainability have been achieved by implementing the State Audit Office's Greening plan for 2022–2025. Received confirmation of compliance with the Gold category in the "Sustainability Index" assessment.

### Involvement in the education of young people and potential future employees of the State Audit Office of Latvia

Participation in School Program "Ready for Life" of Foundation "Mission Possible". **28** lectures were delivered in **21** schools and **938** young people were met.

### Survey data<sup>10</sup>

Of the five state institutions included in the survey sample<sup>11</sup>, **94%** of opinion leaders know best (know very well, rather well) the competencies, areas of activity, functions and practical work of the State Audit Office of Latvia.

<sup>8</sup> Including proposals.

<sup>9</sup> Summary of the implementation of audit recommendations for which the last recommendation was implemented in the period from 1 January 2023 to 31 December 2023 (including the implementation of all recommendations completed during this period).

<sup>10</sup> In cooperation with Market and Public Opinion Research Centre SKDS, a survey of opinion leaders "The image and assessment of the activities of the State Audit Office of the Republic of Latvia from the perspective of opinion leaders" was conducted from 11 December to 21 December 2023.

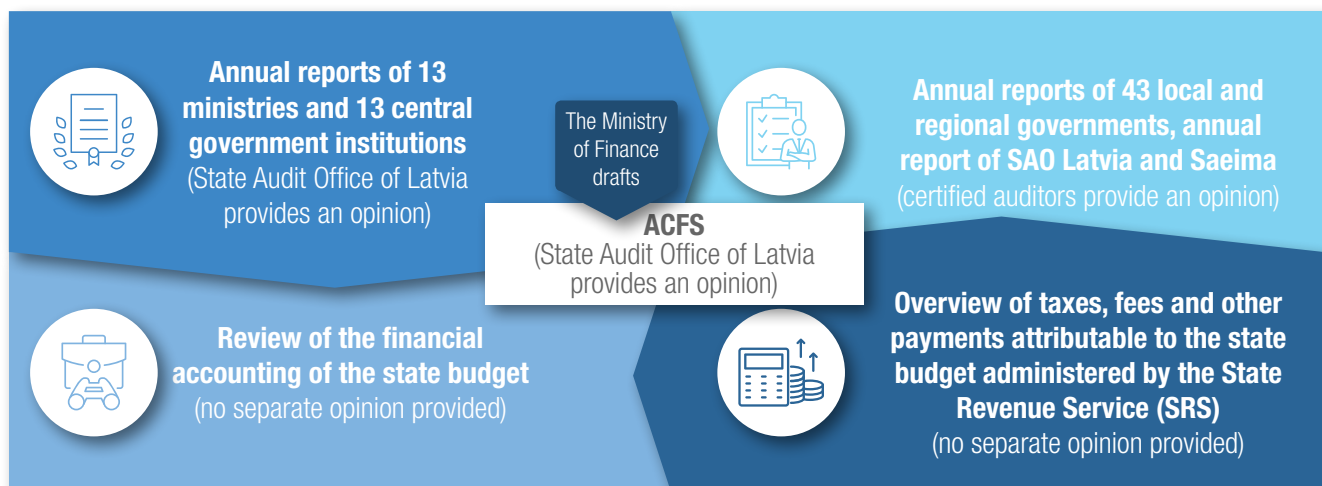
<sup>11</sup> The institutions included in the survey sample: the State Audit Office, the Ombudsman's Office, the Procurement Monitoring Office, the Competition Council, and the State Revenue Service. Opinion leaders know best the competencies, areas of operation, functions, and practical work of the State Audit Office of Latvia and the State Revenue Service.



## 2.2. Results of financial audits on the accuracy of annual financial statements<sup>12</sup>

The State Audit Office of Latvia conducts financial audits in ministries and central government institutions on a regular, annual basis and the State Audit Office of Latvia issues opinions on the accuracy of the annual reports of ministries and institutions and an opinion on an annual consolidated financial statement of the Republic of Latvia on the outturn of the state budget and municipal budgets (ACFS) after the audits.

**Financial audits** Financial audits seek an answer to the question whether financial reporting complies with laws and regulations and provide a clear and true picture of the financial position and performance of the institutions?



These audits assess not only the accuracy of financial accounting, but also randomly selected compliance issues, i.e., assessment of the compliance of measures, activities, transactions or actions with laws and regulations, planning documents, nationally (or internationally) recognised practices and sectoral standards and provision of recommendations.

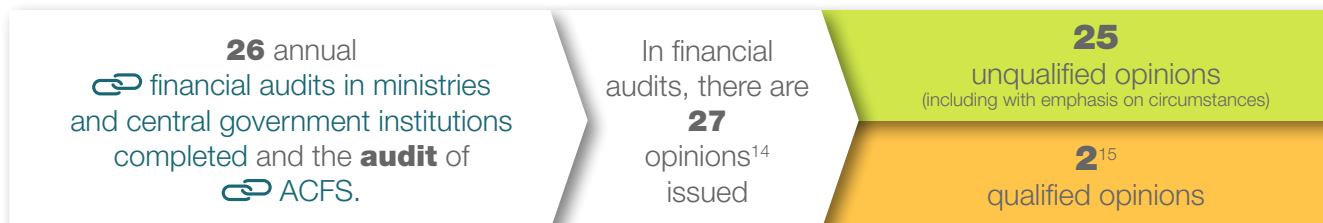
Audits may also raise a key audit matter<sup>13</sup> that is a matter that, according to the auditor's professional judgment, is a significant matter in the context of the audit of the financial statements of the current period, which is reported to the management of the audited entity and to which the auditor has paid increased attention. A separate opinion is not provided on key audit matters.

A financial audit may result in drafting an interim audit report, which is an audit report that is elaborated if the audit has identified significant irregularities that require a rapid response before the audit is completed, for example, before drafting an annual report.

<sup>12</sup> [The framework of the 2nd action line of the Strategy for 2022-2025 of the State Audit Office of Latvia](#), "Strengthen public confidence in the public sector by contributing to national integrity."

<sup>13</sup> A key audit matter is determined in accordance with International Auditing Standard 701 "Communicating Key Audit Matters in an Independent Auditor's Report". International public sector auditing standards in the field of financial auditing are also used by the International Organization of Supreme Audit Institutions (INTOSAI), and in accordance with Section 1, Part 3 of the State Audit Office Law of Latvia, they are binding on the State Audit Office of Latvia, which carries out audits in accordance with international public sector auditing standards.

## On the accuracy of annual reports and the ACFS



### Unqualified opinions

The audits provided assurance that the financial statements of policy sectors (except for the Chancery of the President of Latvia) presented a true and fair view of the financial position of the sectors in all material respects, any changes therein, and the financial results and cash flows of sectors for the year ended 31 December 2022, and they were drafted in accordance with the requirements of the laws and regulations in force in the Republic of Latvia.

The opinions of four sectors include a paragraph emphasising the circumstances to draw the attention of users of the reports to specific sectoral issues.

Ministry of Finance	Regarding the explanation provided in the report regarding the adjustments of 3.1 million euros made in the report, as a result of which the balance sheet value of state property and investment property transferred into possession has decreased by 950,300 euros.
Ministry of Defence	Regarding the information provided in the management report about the planned measures to improve the procurement system in connection with the procurement carried out in 2022 and the concluded contract “Logistics service for food supply for the needs of the National Armed Forces”, the implementation of which began in 2023, and this transaction has a potential future impact on the financial indicators of the ministry’s consolidated annual report.
Ministry of Culture	Regarding the explanation provided in the report that discussions with the State Treasury regarding appropriate accounting for exhibits were ongoing.
Cross-Sectoral Coordination Centre	On the dissolution of the Centre from 1 March 2023, by merging it with the State Chancellery <sup>16</sup> .

<sup>14</sup> The Cross-Sectoral Coordination Centre, which has been dissolved as of 1 March 2023, has been provided with two opinions (on the 2022 annual report and on the closing report on 28 February 2023).

<sup>15</sup> The Chancery of the President of Latvia and “On the Annual Consolidated Financial Statement 2021 of the Republic of Latvia on the outturn of the state budget and municipal budgets”.

<sup>16</sup> Financial audit “On the closing report on 28 February 2023”.



## Qualified opinions

### On the accuracy of the annual report 2022 of the Chancery of the President of Latvia

During the audit, complete, relevant and timely information was not available, therefore, no evidence was obtained on the amount of services actually received under one contract for the needs of the Three Seas Initiative Summit and the summit preparatory event, and the justification of the amount of expenses resulting from it. In addition, documents provided by the Chancery of the President of Latvia on the amount of services actually received were repeatedly re-submitted during the audit.

### On the Annual Consolidated Financial Statement 2022 of the Republic of Latvia on the outturn of the state budget and municipal budgets

The annual financial statement consolidates 73 reports. The balance sheet total is 37.2 billion euros, the consolidated public debt is 16.6 billion euros, revenue is 16.8 billion euros and expenditure is 16.3 billion euros.

The type of opinion was influenced by the audit finding that there were significant limitations of scope<sup>17</sup>, which were attributable to parts of the report on which an opinion cannot be provided.

Item of balance sheet	Sector	Sum as of 31 Dec 2022, euros
Total limitation of scope ▶ <b>2,158,756,000</b> is euros or <b>5.8%</b> of total assets <sup>18</sup>		
Long-term investment	State Revenue Service	81,118,400
	Liepāja City Municipality and Ogre and Preiļi Regional Governments	187,606,100
Current assets	State Revenue Service	1,890,031,500
Total limitation of scope ▶ <b>2 816 634,300</b> euros or <b>7.6%</b> of total liabilities <sup>19</sup>		
Result of budget outturn	State Revenue Service	1,342,056,300
Liabilities	State Revenue Service	1,274,578,000
	Ogre Regional Government	200,000,000

## Errors detected and corrected during audits

The audited entities were informed of the errors and irregularities in accounting records identified during the financial audits already during the audit, and the audited entities acted to eliminate them before the elaboration of their annual report.

During the financial audits in ministries and central government institutions, the errors detected were corrected for a total value of 306.3 million euros, or 95% of the errors identified. The most significant corrections were made during the audit in the Ministry of Culture (the amount of corrected errors was 246.1 million euros, or 80% of the total amount of corrected errors) by ensuring the appropriate accounting of leased assets in the off-balance sheet of the financial report.

The most significant uncorrected errors (i.e., both errors that the sector could not correct and errors whose correction required more time) were identified in the Ministry of Transport (mainly in the accounting of fixed assets) and the Ministry of Culture (mainly in the accounting of listed reserves and service invoices). The total uncorrected errors amount to 17 million euros.

<sup>17</sup> Neither the audit conducted by certified auditors nor the audit procedures performed by the State Audit Office of Latvia could provide sufficient assurance about the amount of the necessary corrections.





<sup>18</sup> The current wording of the Consolidated Balance Sheet of the State as of 14 August 2023, balance sheet value is 37,211,188,000 euros. The calculation does not include the limitation of scope determined in the financial audit "On the annual report 2022 of the Chancery of the President of Latvia", for which the status of restricted access has been determined.














<sup>19</sup> The current wording of the Consolidated Balance Sheet of the State as of 14 August 2023, balance sheet value is 37,211,188,000 euros. The calculation does not include the limitation of scope determined in the financial audit "On the annual report 2022 of the Chancery of the President of Latvia", for which the status of restricted access has been determined.

## Compliance issues

The financial audits for 2022 assessed 20 compliance issues specific to these sectors in 14 sectors by clarifying whether the funding of 181,003,014 euros was spent for the purpose of its allocation, in compliance with applicable laws and regulations and achieving the planned results.

There were 20 opinions issued on compliance issues, of which ten were unqualified opinions, six were qualified opinions and four were adverse opinions.

Sector	Compliance issue	Financing, euros
Unqualified opinions		
 Ministry of Foreign Affairs	Lobby campaign for Latvia's candidacy for the UN Security Council elections in 2025 (priority event).	873,823
 Ministry of Finance	Strengthening the capacity of the Ministry of Finance, including strengthening the capacity of the Procurement Monitoring Bureau, the State Treasury and the Tax and Customs Police Department of the State Revenue Service, and improving the customs infrastructure (priority measure).	4,500,000
 Ministry of Education and Science	Improvement of the material and technical base of the educational program implementation site "Višķi" of the Latgale Industrial Technical School.	88,000
	Support mechanism for youth organisations (priority measure).	232,085
 Corruption Prevention and Combating Bureau	Competitive remuneration of office officials (employees) (priority measure).	2,000,000
 Ministry of Culture	150 years of the tradition of the Nationwide Latvian Song and Dance Festival (priority event).	4,012,289
 Ministry of Transport	Maintaining the single public transport ticketing system (priority measure).	81,607
	Reconstruction and renovation of national regional roads (priority measure).	57,700,000
 Ministry of Justice	Protection and increase in remuneration of employees of the State Probation Service, the work of which is associated with special risk (priority measure).	1,911,959
 Ministry of Agriculture	Financing for Latvia's agricultural and food producers to mitigate the consequences of Russia's war in Ukraine.	19,235,161






Sector	Compliance issue	Financing, euros
Qualified opinions		
 Ministry of Defence	Prerequisites for a successful transition of the defence sector's accounting to a new functional database	-
 Ministry of the Interior	 Capacity building of officials with special service ranks (marginal allowance, investigator remuneration, equalization of monthly salaries) (priority measure).	20,700,000
 Ministry of Education and Science	Use of funding  for the purchase of instruments for air quality monitoring.	4,261,059
 Corruption Prevention and Combating Bureau	Use of funding allocated to the Corruption Prevention and Combating Bureau in the Anti-Money Laundering, Terrorism and Proliferation Financing Prevention Plan.	706,102
 Ministry of Culture	Use of funding allocated to the Creative People Support Program.	502,167
 Public Electronic Mass Media Council	Use of additional funding requested by the Public Electronic Mass Media Council for 2022–2024 for the purchase of a content information management system for state-owned limited liability company “ <i>Latvijas Radio</i> ”, the purchase of a content information management system for state-owned limited liability company “ <i>Latvijas Televīzija</i> ” and the reconstruction of a comprehensive transformer substation and the installation of a diesel generator (priority measure).	801,400
Adverse opinion		
 Ministry of Economics	Financial instrument – loans for investment projects with a capital discount (priority measure).	41,000,000
 Ministry of the Interior	Use of funding allocated to the services of the Ministry of the Interior for the purchase of uniforms.	11,700,000
 Ministry of Welfare	Increasing the remuneration of caregivers in long-term social care and social rehabilitation institutions (priority measure).	9,850,680
 Ministry of Health	Provision of state-funded healthcare  for children with autism spectrum disorders (priority measure).	846,682

When assessing the overall accuracy and compliance issues of the elaboration of the ACFS, two blocks of issues were identified in which irregularities were detected and which were relevant to several sectors such as planning and use of funding for priority measures and expenditure for remuneration.



## Key audit matters

Key audit matters were assessed in four public sector audits.

Audit in sector / ACFS	Matter
 Ministry of Economics	Established control system for administering measures  to reduce the extraordinary increase in energy prices.
 Ministry of Welfare	Expenditure for the payment of bonuses to physical labourers employed in institutions subordinate to the Ministry of Welfare.
 Ministry of Transport	Accounting for expenditure for the performance of delegated public administration tasks in economic classification codes.
 Audit of the ACFS	Decision taken by the Competition Council <sup>20</sup> in the cartel cases and its impact on the ACFS.

## Meeting of State Secretaries

Following the conclusion of financial audits on the accuracy of the ACFS 2022, the State Audit Office of Latvia hosted a meeting of State Secretaries of ministries in June 2023 to discuss the problems identified in the financial audits.

The results of the survey of audited entities were also presented during the meeting, and the challenges expected in 2024 in relation to earlier deadlines for the elaboration of annual accounts.



## Financial audits on the accuracy of the ACFS 2023

During the reporting year, 25 financial audits were initiated on the accuracy of the annual reports of ministries and central government institutions and an audit of the annual consolidated financial statement for 2023. Two interim audit reports were drafted in the initiated audits.

<sup>20</sup> On 30 July 2021, the Competition Council adopted Decision No 22 on the Establishment of a Violation and Imposition of a Fine, which had a significant impact on several state institutions and derived public entities (as well as their state-owned enterprises). The Competition Council also detected prohibited agreements among large market participants in Latvia in 2022 and 2023.



## [🔗](#) Food procurement planning and implementation of the National Armed Forces<sup>21</sup>

**In brief.** The procurement was organized in violation of the procedures for planning and organizing procurements established by the Ministry of Defence.

The procurement has been conducted and a contract has been concluded for the logistics service for comprehensive food supply for the needs of the

National Armed Forces (NAF) during peace and crisis, but the procurement and the contract do not specify requirements for such a service. The requirements set for suppliers are minimal and do not provide confidence in the possibility of actually providing the complicated food supply logistics service required by the NAF.

The planned contract sum is up to 220 million euros and an option of increasing it up to 330 million euros was indicated at the conclusion of the procurement for the first time when the Procurement Commission decided to conclude a contract with the winner of the procurement procedure, Zītari LZ Ltd, although the company did not meet the minimum requirements for experience in the provision of logistics services set out in the procurement regulations.

The winning service provider has been delegated with the contract tasks typical of state officials, as the economic operator conducts price surveys and determines the suppliers who are entitled to supply food to the NAF.

When purchasing the logistics service for food supply for the needs of the NAF, the economic benefit of food is not assessed, although the cost of food supply makes up the largest financial part of the contract.

**Conclusions.** The procurement for logistical services for the supply of food for the needs of the NAF has been organized in violation of the procedures established by the Ministry of Defence for planning and organizing procurement. The service purchased as a result of the procurement is not based on the needs of the NAF and does not meet the interests of the defence sector and national security.

**Recommendations.** The audit provided [🔗 four recommendations](#), aimed at improving the internal control environment when planning and implementing procurements, as well as compliance with laws regulating procurement when supplying food for the needs of the National Armed Forces.

**Implementation deadline:** before May 2024.

**Communication:** [🔗 Audit summary](#) | [🔗 Press release](#) | [🔗 Infographic](#) | [🔗 Briefing](#)

<sup>21</sup> The interim audit report was drafted in the financial audit "On the accuracy of the annual report 2023 of the Ministry of Defence" following Sub-paragraph c), Paragraph 3, Section 3 of the State Audit Office Law.



## 🔗 Do Rēzekne City's budget and fiscal management comply with the laws and regulations?<sup>22</sup>

**In brief.** The budget for 2023 was approved without actual expenditure or resources to cover at least three months of the budget and without planning at least 8.68 million euros.

Deficiencies in accounting and control, e.g., the report does not show potential liabilities of 13.7 million euros. At the time when the interim audit report is published, Rēzekne City does not have a contract with a certified auditor for the audit of the annual report for 2023.

Heating tariffs: by reviewing them only after the end of state support measures, according to auditors' estimates, the government paid at least 4.55 million euros more to Rēzeknes siltumtīkli Ltd than it would have paid after the review of the tariff.

Weaknesses in the management of investment projects: generally formulated medium-term priorities, insufficiently evaluated project economy and effectiveness, and insufficient actions for project prioritization.

**Conclusions.** Several violations were committed in the development of the budget of Rēzekne City Municipality for 2023. As a result, the State Audit Office of Latvia issued an adverse opinion mainly because an insufficient assessment of the current situation was carried out, the Municipality relied on the availability of funding, and fragmentation of the budget management and accounting process.

**Recommendations.** Rēzekne City Municipality was 🔗 three recommendations, to improve the management of the budget and fiscal management system and to ensure the transparency of financial processes, as well as accounting control. Rēzekne City Municipality should promote wider involvement of the Finance Committee in the budget development process by safeguarding equal opportunities for all councillors, evaluate the possibility of centralizing the accounting function and improve accounting control.

**Implementation deadline:** before April 2024.

**Communication:** 🔗 Press release | 🔗 Briefing

<sup>22</sup> Interim audit report drafted under the financial audit "On the annual consolidated financial statement for 2023 of the Republic of Latvia on the outturn of the state budget and municipal budgets" and following Sub-paragraph c), Paragraph 3, Section 3 of the State Audit Office Law.



## Recommendations made in financial audits

As a result of the audits, 45 recommendations have been made in total, one of which was already implemented during the audit. Three recommendations relate to key audit matters, 18 recommendations relate to the accuracy of the annual accounts, and 13 recommendations relate to compliance issues. Three recommendations relate to the ACFS. Seven recommendations were made in two interim audit reports.

Implementing the recommendations made by the State Audit Office of Latvia regarding the accuracy of the annual accounts will, for example, ensure that procurement is carried out in accordance with the provisions of the Public Procurement Law, ensure proper accounting of inventories and long-term investments, and improve the internal control system to ensure effective and economical use of state budget funding.

By implementing recommendations regarding the ACFS, a customer-oriented approach will be strengthened, for instance, so that taxpayers are informed about long-term unused, unallocated contributions made to the single tax account, monitoring of taxpayers' tax overpayments will be ensured, and the amounts of tax overpayments to be credited to the state budget fully or partially and payments incorrectly paid into the single tax account will be written off within the deadlines set by the law.

By implementing the recommendations provided by the State Audit Office of Latvia about compliance issues, one shall safeguard, for example, that the state budget funding allocated for development expenditure is spent in accordance with the purpose of allocation, as well as the set goals will be achieved, control procedures over the use of the allocated funding will be improved, measures will be taken to increase the competitiveness of the remuneration of officials (employees), reducing staff turnover and ensuring the successful performance of the functions of institutions.

## Streamlining financial auditing

During the reporting period [work that began in 2022 continued](#) on the implementation of the internal project of the State Audit Office of Latvia **“Provision of a single independent auditor report in financial audits, in the audit of the Annual Consolidated Financial Statement”**.

**Project objectives:** (1) to optimise the amount of work to be performed in financial audits, which is necessary to provide an opinion on the accuracy of annual reports by reducing the time and resources actually spent on conducting financial audits; (2) to ensure the provision of a single independent auditor report in financial audits, i.e., in the audit of the ACFS while maintaining a high level of confidence in the financial data of the public sector.

The accuracy of annual reports and the number of audit reports in which no shortcomings in annual reporting have been revealed is high. Improvements have been achieved as a result of cooperation between sectors and the State Audit Office of Latvia, as approximately 95% of errors detected by the State Audit Office of Latvia are eliminated or corrected during the financial audits.

**Achievements during the reporting period:** work has been initiated with data analysis tools by automating the analysis of several financial report items and individual audit procedures, as well as work has been done in cooperation with sectors to improve the quality of accounting data. The work initiated in 2022 on amendments to the State Audit Office Law and the Law on Budget and Financial Management has continued by stipulating that the State Audit Office of Latvia will now issue a single audit report on the accuracy of the ACFS of the Republic of Latvia instead of 27 separate financial audit reports. Meetings have been organised with representatives of the State Treasury of Latvia and the Ministry of Finance to discuss the current status of the project and the required amendments to the laws, and an agreement was reached on joint cooperation to promote data quality in the Horizon accounting system.

## 2.3. Performance, compliance and combined audits and their results<sup>23</sup>

The State Audit Office of Latvia conducts  performance, compliance and combined (compliance/performance) audits.



The purpose of performance audits is to verify whether the activities, programmes and actions of state institutions comply with the principles of economy, efficiency and effectiveness.

Effectiveness is an assessment of the achievement of set objectives<sup>24</sup>.

Economy is the maintenance of low costs when assessing whether the least possible resources are used for a specific purpose while maintaining quality<sup>25</sup>.

Efficiency is the rational use of available resources by assessing whether the optimal return is achieved with the resources used<sup>26</sup>.



In compliance audits, auditors verify whether actions, financial transactions and information comply in all material respects with laws, regulations and binding agreements, as well as with nationally recognised international practice.




Combined (compliance/performance) audits may assess both performance and compliance issues.

In total, ten performance audits, two compliance audits and one combined (compliance/performance) audit were completed during the reporting period.



At the end of the reporting period, work continued on 14 performance audits and one review initiated in 2022 or 2023.

### Determining audit topics

Based on the risk assessment of the audit areas, the State Audit Office of Latvia  determines performance and compliance audit topics. The assessment of risks in areas depends on the State Audit Office's view of shortcomings in policy implementation, financing, reform implementation, management and supervision, and also takes into account public interest and complaints received. The State Audit Office of Latvia carries out risk assessments for 112 public policy areas by selecting audit topics mainly in high-risk areas and balancing them with the resources at its disposal. The aspect of whether a specific topic/issue may affect public trust in public administration is also assessed.

Every person who has financial resources or property of a public entity at their disposal, as well as persons who perform state or municipal procurement, and state-owned and municipal enterprises within the meaning of the Law on the Management of Capital Shares and State-owned and Municipal Enterprises of a Public Entity, is subject to audit by the State Audit Office of Latvia. The Saeima is not subject to audit by the State Audit Office.

Survey data<sup>27</sup>

**94%** of opinion leaders consider the audit topics selected by the State Audit Office of Latvia to be significant.

<sup>23</sup>  The framework of the 1st action line of the Strategy for 2022-2025 of the State Audit Office of Latvia, "Promote sound public spending to maximise the benefits to the public."

<sup>24</sup> When assessing effectiveness, attention is paid to the achievement of objectives, i.e. to what extent the planned objectives and results have been achieved.

<sup>25</sup> When assessing economy, attention is paid to the reduction of resources, i.e., whether activities have been implemented at the lowest cost while maintaining quality.

<sup>26</sup> When assessing efficiency, attention is paid to the ratio between input and output, i.e., the audit checks whether the resources needed to achieve the objectives of specific activities are used in a way that ensures an optimal ratio between input and output, or whether better results could be achieved using the same resources.

<sup>27</sup> In cooperation with Market and Public Opinion Research Centre SKDS, a survey of opinion leaders "The image and assessment of the activities of the State <sup>28</sup> Lietderības revīzija "Vai Veselības ministrijas pasākumi nodrošina agrīnu onkoloģisko slimību atklāšanu un nepieciešamo zāļu kompensāciju?".



## [🔗](#) Oncology – priority without result<sup>28</sup>

**In brief.** Early detection is an underappreciated and underutilized tool that can lead to more successful treatment, but patient compliance is critical.

The accelerated procedure “Green Corridor” does not work because 195 days pass instead of the 65 intended days until a diagnosis is established, that is, three times longer than planned.

The prices of compensated medicines for the treatment of oncological diseases are the highest in the Baltic States. The Ministry of Health cannot justify how the limits of allowable wholesale and pharmacy mark-ups are determined, which directly affect the final price.

The Cancer Register does not work as intended, as the collected data on oncology patients are not of high quality and are incomplete, and there is no clarity about the development of the new Cancer Register.

**Conclusions.** The measures implemented by the Ministry of Health do not ensure early detection of oncological diseases and compensation of necessary medicines for patients. This has a significant impact on Latvia’s public health indicators, which have not improved for a long time although this area of healthcare is among the priorities of the country.

**Recommendations.** The Ministry of Health was issued [🔗 six recommendations](#) to improve early detection of oncological diseases and reimbursement of oncology treatment medicines needed by patients. First, the availability of general practitioners shall be ensured who would actively promote the early detection of malignant tumour diagnoses. Secondly, comprehensive governance and effective implementation of state-organized cancer screening, effective operation of the “Green Corridor” and reimbursement procedure for the costs for the purchase of medicines established in the country for oncology patients shall be provided. Thirdly, high-quality and timely data on patients diagnosed with a malignant tumour shall be ensured. Implementing the necessary measures should lead to overall improvements in public health indicators.

**Implementation deadline:** before April 2029.

**Communication:** [🔗](#) Audit summary | [🔗](#) Press release | [🔗](#) Infographic | [🔗](#) Discussion | [🔗](#) Opinion article | [🔗](#) Forum “Next steps in building a health economy in Latvia”

<sup>28</sup> Performance audit “Do the activities of the Ministry of Health provide early detection of oncological diseases and required compensation for medication?”.





## 🔗 State support for adult education: national or personal benefit<sup>29</sup>

**In brief.** In the projects of the State Employment Agency (SEA) and the State Education Development Agency (SEDA), only 28% of the participants of training had a low level of education, although this is the priority group that needs training.

44% of the participants have studied educational programs that have no impact on their employment, for which 12.7 million euros were spent over three years.

Currently, training is planned considering the needs of the labour market; however, they are not determined uniformly, but separately in each institution, without sufficient discussions with industry experts and without taking into account the regional perspective.

The functions of SEA and SEDA overlap in the planning and organization of education, and there are no impartial obstacles to the performance of these functions by one institution. It would save at least 3.6 million euros.

**Conclusions.** Currently, adult education in Latvia is not organized in such a way that the funds for the projects implemented by the State Employment Agency and the State Education Development Agency (the main instrument by which the state provides the opportunity for adults to learn the skills needed for the labour market and reduce the risk of unemployment) are used as efficiently as possible in order that both the participants of training and the country as a whole could benefit the result,

**Recommendations.** There were 🔗 [nine recommendations](#) nine recommendations provided to the Ministry of Welfare, the Ministry of Education and Science, and the Ministry of Economics, the implementation of which will gradually result in the involvement of people with a low level of education in adult education until 2027, and the functions of institutions involved in adult education will be reviewed and consolidated by reducing administrative burden and ensuring more efficient use of public resources. The State Audit Office of Latvia has invited the Cabinet of Ministers and the Human Capital Development Council established in 2023 to get involved in solving the problems identified during the audit.

**Implementation deadline:** līdz 2027. gada janvārim.

**Communication:** 🔗 [Press release](#) | 🔗 [Infographic](#) | 🔗 [Opinion article](#) | 🔗 [A meeting with the Employers' Confederation of Latvia](#)

<sup>30</sup> Performance audit "Does adult education achieve its goals and meet the needs of labour market?".



## Are preconditions created in Latvia for achieving the UN Sustainable Development Goals?<sup>30</sup>

**In brief.** Seven years ago, Latvia undertook to move towards the UN Sustainable Development Goals (SDGs). However, until now, not enough has been done either at the national or municipal level to have all the prerequisites for full-fledged development.

In general, in Latvia, work with the SDGs is carried out without leadership of the process, a specific plan, tasks or division of responsibilities. As a result, public awareness of the goals and their significance remains low.

To achieve the SDGs, local and regional governments play an important role because up to 65% of the 169 SDG sub-goals are related to the competence of local and regional governments, and it is the local and regional governments that will be the decisive stage in achieving the goals.

Without changing anything, Latvia will have achieved only 30 or 18% of SDG sub-goals by 2030 according to [the calculation of the Organization for Economic Cooperation and Development \(OECD\)](#).

The lack of progress and the negative trends in the SDG indicators show that, in order to achieve the SDGs, top political management should begin urgently to solve challenges at a high inter-ministerial level through joint efforts.

**Conclusions.** Although Latvia is committed to implementing the SDGs by approving them already in 2015, there need to be significant improvements at all levels to assess and demonstrate Latvia's contribution and enable the goals to be realistically achieved.

**Recommendations.** The Cross-Sectoral Coordination Centre (now a unit of the State Chancellery), the Ministry of Environmental Protection and Regional Development, and eight local and regional governments included in the audit sample were given recommendations to create a common understanding in the state administration about the significance of Agenda 2030 and to facilitate the fulfillment of the prerequisites for achieving the SDGs. After the audit, it was proposed the Cabinet of Ministers assess the most suitable model for managing the implementation of Agenda 2030 and to determine the responsible institution and its exact competence by allocating proportionate resources to coordinate and monitor the implementation of Agenda 2030, stakeholders, and the results achieved. Timeframes for implementing recommendations [Ministry of Environmental Protection and Regional Development](#) | [Cross-Sectoral Coordination Centre](#) | [Riga](#) | [Bauska](#) | [Jēkabpils](#) | [Ogre](#) | [Valmiera](#) | [Daugavpils](#) | [Liepāja](#) | [Ventspils](#)

**Implementation deadline:** before September 2024

**Communication:** [Press release](#) | [Infographic](#) | [Discussion](#) | [Discussion summary 1 \(video\)](#) | [Discussion summary 2 \(video\)](#) | [Roadmap for local and regional governments in working with SDGs](#) | [Sustainable development goals relevant to local and regional governments](#)

<sup>30</sup> Compliance audit.



## 🔗 How to improve business innovation support policy?<sup>31</sup>

**In brief.** In the programming period 2014-2020, projects implemented with the support of public funding in the amount of 681 million euros have not succeeded to achieve such results that would contribute to the goal of the National Industrial Policy Guidelines, to significantly improve the competitiveness and productivity of enterprises.

The problems identified in the previous period are still not solved systematically or consistently. There is a risk that the 721 million euros planned for innovation support will also not achieve the intended development of the national economy in the programming period 2021-2027.

Latvia implements similar support measures as elsewhere in the European Union, and the “set” of measures is even broader. There are support measures for innovations, but they fail to achieve the goals.

At the same time, in terms of innovation performance, Latvia lags behind the average EU level and our neighbouring countries in international rankings.

**Conclusions.** Although support for business innovation is extensive, it results in a minor impact on productivity and competitiveness.

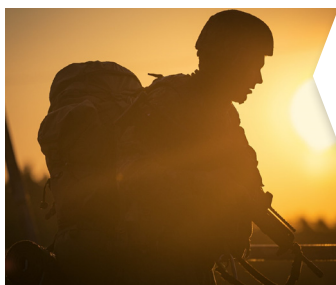
**Recommendations.** There were recommendations issued to 🔗 the Ministry of Economics, 🔗 the Ministry of Education and Science and 🔗 the Investment and Development Agency of Latvia the Investment and Development Agency of Latvia to facilitate a greater impact of the implemented support measures on the achievement of policy results and to purposefully minimise the obstacles hindering the development of innovations.

**Implementation deadline:** before January 2027.

**Communication:** 🔗 Press release | 🔗 Infographic | 🔗 Discussion

<sup>31</sup> Performance audit “Is planning and implementation of business innovation policy effective and facilitating efficiency and competitiveness increase of enterprises?”.





## Effectiveness of the reserve force system performance of the National Armed Forces<sup>32</sup>

**In brief.** The operation of the National Armed Forces' (NAF) reserve force system should be improved. After transition to a professional military service in 2007, the reserve force system was not purposefully developed.

It is important to create a training system that allows reserve soldiers to regularly maintain their military skills and abilities and to provide modern data records that allow quick and easy access to reserve staff.

For a comprehensive national defence system, it is essential that the largest possible part of society has acquired the knowledge and skills necessary for national defence.

At the NATO level, there is no defined standard for the organization of reserve forces because this is to be determined by the Member States themselves. In recent years, Latvia's national defence concepts have been moving towards the development of a reserve force system.

**Conclusions.** Other development priorities of the NAF have been in the foreground after the introduction of a professional military service in 2007, and targeted steps for the further development of the reserve force system have been missing until now. Therefore, the NAF reserve force system must be developed rapidly and purposefully. At the same time, the organization of volunteer training for reservists since 2018 is positively evaluated, in which interest has increased especially after Russia's invasion of Ukraine and in which volunteer reservists have the opportunity to learn military skills.

**Recommendations.** The audit provided recommendations which the Ministry of Defence shall implement in cooperation with the National Armed Forces by elaborating proposals for long-term development of a reserve force, defining principles for the training of all categories of the reserve force, and developing a reserve staff accounting system that meets modern requirements.

**Implementation deadline:** before January 2027.

**Communication:** [Press release](#) | [Infographic](#)

<sup>32</sup> Performance audit "Effectiveness of the reserve force system performance of the National Armed Forces".



## [🔗](#) Citizen participation: an untapped opportunity for quality decision-making in local and regional governments<sup>33</sup>

**In brief.** In matters of citizen engagement, local and regional governments operate without a strategic vision. As a result, citizens are not involved in prominent issues, while citizens are not communicated with in such a way that they learn about opportunities to get involved or, in some cases, want to do so.

Due to the lack of effective citizen participation, the infrastructure created for at least 70 million euros is not accessible to a part of municipal residents without assistance of other people, such as, people with mobility, visual, hearing and mental disabilities.

**Conclusions.** Citizen participation is an untapped opportunity for quality decision-making in local and regional governments. In many issues that are important to residents, local and regional governments do not provide for their participation, and, as a result, local and regional governments make low-quality decisions with an elevated risk that adverse consequences will be felt in the long term.

**Recommendations.** The 11 local and regional governments included in the audit sample are issued recommendations for facilitating citizen participation: provide for citizen participation in all matters relevant to them and at all stages provided for in best practice; ensure that calls for participation are easily perceived and well visible; provide timely and justified feedback in all cases of citizen participation; promote youth participation opportunities, etc. Timeframes for implementing recommendations [🔗 Ādaži](#) | [🔗 Cēsis](#) | [🔗 South Kurzeme](#) | [🔗 Dobeles](#) | [🔗 Gulbene](#) | [🔗 Jūrmala](#) | [🔗 Kuldīga](#) | [🔗 Limbaži](#) | [🔗 Madona](#) | [🔗 Rēzekne Region](#) | [🔗 Rēzekne](#)

**Implementation deadline:** līdz 2025. gada janvārim.

**Communication:** [🔗 Press release](#) | [🔗 Infographic](#) | [🔗 Discussion](#) | [🔗 Self-assessment questionnaire](#)

<sup>33</sup> Performance audit "Do the activities implemented by local and regional governments ensure the participation and awareness of the population?".



## Management of mineral resources in Latvia<sup>34</sup>

**In brief.** There is no subsoil use strategy in Latvia, and this does not contribute to the development of the national economy and the balanced and sustainable management of natural resources. The only development planning document developed was for peat resources.

In Latvia, the amount of use of secondary materials (6% of the total consumption in 2021) is two times behind the European Union average (12%).

No systematic mining of new minerals and other subsoil resources has taken place for 20 years in Latvia. Only 10% of the geological information system data are currently available digitally instead of the planned 90%. The data in the Register of Mineral Resource Deposits is incomplete and erroneous. Complete information about the mineral resources available in the country is necessary for the development of high-quality development planning documents in the field of subsoil use.

Laws and regulations for the renaturalisation of mining sites is not sufficient because there are no established criteria for recognizing the extraction of mineral resources as completed, the monitoring of renaturalisation processes of mining sites is determined in general, there is no requirement to create financial security for their renaturalisation, thus creating the risk of an increase in degraded areas.

**Conclusions.** Mineral resources are currently not managed sustainably in Latvia which does not contribute to the development of the national economy. There are several reasons for this situation such as the lack of a comprehensive strategy for the use of subsoil, lack of complete, high-quality, and timely information about national mineral resources, lack of structured data and risk-based inspections, and incomplete laws and regulations on renaturalisation of mineral resource extraction sites.

**Recommendations.** The audit provided [recommendations](#) to the Ministry of Environmental Protection and Regional Development, State Environmental Service, and state-owned “Latvijas Vides, ģeoloģijas un meteoroloģijas centrs” Ltd.: improve the Register of Mineral Resource Deposits and draft a subsoil use strategy to ensure sustainable management of natural resources; safeguard planning and monitoring of risk-based mineral extraction inspections by applying liability for violations in accordance with regulations if necessary; facilitate the renaturalisation of mineral resource mining sites after the completion of mineral extraction.

**Implementation deadline:** before January 2027.

**Communication:** [Press release](#) | [Infographic](#)

<sup>34</sup> Combined (compliance/ performance) audit “Is sustainable management of mineral resources ensured in Latvia?”.





## [🔗](#) Assessment of the responsibility of state administration<sup>35</sup>

**In brief.** A different regulation of disciplinary liability for civil service officials and other employees in state administration does not ensure uniform assessment and application of disciplinary liability.

The regulation of disciplinary liability provided for in the Labour Law for assessing the liability of public sector employees is not effective and may be an obstacle to the application of liability. Laws and regulations also do not provide procedures for assessing disciplinary liability of heads of institutions.

Institutions mostly assess disciplinary violations committed by employees, but the audit has also found cases where non-compliances were allowed in the projects co-financed by the EU structural funds, which had to be financed from the state budget, but the liability of employees for the committed violations was not assessed.

The practice of applying civil liability is still no-existent. In the audited period (2020 - 2022), not a single case has been found where public sector employees have compensated the losses caused to the state in connection with claims of individuals against the state, although the prerequisites for compensation are being assessed.

**Conclusions.** In general, prerequisites have been created for assessing disciplinary liability and civil liability of public sector employees. Yet, the conditions for assessing and applying disciplinary liability depend on the type of legal employment relationship, and the legal framework for assessing liability is fragmented. Therefore, finding out the circumstances of a violation in a timely and complete manner and making the appropriate decision in order to promote the liability of public sector employees and determine what improvements an internal control environment needs, is not always possible.

**Recommendations.** The audit provided [🔗 recommendations](#) to the State Chancellery including to ensure uniform principles in the assessment and application of the liability of public sector employees (both civil servants and employees); develop regulations for independent assessment of disciplinary liability in cases where an impartial and comprehensive investigation of a disciplinary case in an institution or department is not possible. It would result in the improvement of the system for assessing liability of public sector employees and responsibility in general. There are three proposals provided to the Cabinet of Ministers.

**Implementation deadline:** before January 2027.

**Communication:** [🔗 Audit summary](#) | [🔗 Press release](#) | [🔗 Infographic](#)

<sup>35</sup> Performance audit "Assessment of the responsibility of state administration employees"



## How is LEADER and community-led local development managed and implemented in Latvia?<sup>36</sup>

**In brief.** In Latvia, the LEADER approach is implemented by 35 local action groups (LAGs), however, their performance is not uniform, as the provided opportunities are not available to the citizens in an equivalent amount.

For the wider society to benefit from the LEADER approach as much as possible, the role of the Ministry of Agriculture and the participating institutions in the supervision of the LEADER approach should be greater, both at the national level by creating a clear system of goals and performance indicators and by improving monitoring, evaluation and conducting a systematic analysis of the data submitted by LAGs, providing methodical support to LAGs, and creating a motivation system for LAG activities focused on added value.

The added value of LEADER is both rural economic development and increased social capital, improved management, and better project results.

**Conclusions.** The approach must be improved and the role of LEADER in the development of local communities must be strengthened, and the Ministry of Agriculture shall work more actively to promote the capacity of local action groups and encourage more interest in the opportunities provided by the European Union (EU) measure LEADER or community-led local development (CLLD) among citizens. Improvements are also needed at the local level by implementing more targeted, open and socially inclusive LEADER measures.

**Recommendations.** The Ministry of Agriculture was [recommended](#). Local action groups should implement activities to inform and involve the public to a greater extent, as well as ensure greater transparency and openness of their activities in order to increase public trust. The Ministry of Agriculture and the Ministry of Environmental Protection and Regional Development should cooperate to ensure new ways of involving residents in the new programming period.

**Implementation deadline:** before July 2026.

**Communication:** [Press release](#) | [Infographic](#) | [Seven maps on projects and sources of financing](#)

<sup>36</sup> Performance audit "Implementation of LEADER measures using EAFRD and EMFF funding".



## 🔗 Is the storage of electronic documents ensured in the archives?<sup>37</sup>

**In brief.** The Law on Electronic Documents has been in force in Latvia for 20 years. In 2023, progress in storing electronic documents in one place, that is, the National Archives of Latvia, is still very slow.

Continuing at the current pace, the first arrival of information system data from state institutions in the archives could be completed only after 2035 that poses risks for loss of information and opportunities for the population to receive information of interest from the archive in the future.

The information system, where simplifying archiving processes was one of the goals to develop it, is not widely used. Only 29% of all institutions monitored by the archive are registered for its use.

**Conclusions.** The National Archives of Latvia (NAL) has still not created an effective management system that would ensure the receipt and storage of electronic documents, in particular, data with archival value stored in national information systems (NIS) and registers. Such a slow reception of electronic documents for storage in the archive and a small proportion of electronic documents and data created in public administration in total threaten the basic functions of the archives to accumulate and store the documentary heritage.

**Recommendations.** The National Archives of Latvia was issued [🔗 recommendations](#) recommendations to strengthen the capacity of the National Archives of Latvia in order to receive and preserve electronic documents in the archives and to achieve that by 2029, (1) 75% of institutions that create permanently stored electronic documents when the deadline for their transfer to the archive arrives, the documents are transferred to the archive; (2) information from at least 40% of state information systems with archival value has been transferred to the archive for storage.

**Implementation deadline:** before January 2029.

**Communication:** [🔗 Press release](#) | [🔗 Infographic](#)

<sup>37</sup> Performance audit.





## [🔗](#) Have newly established local and regional governments assessed shareholding in municipal enterprises according to the statutory procedure and best practice?<sup>38</sup>

**In brief.** The ability of local and regional governments to reassess their shareholding in municipal enterprises comprehensively is significantly hampered by their inefficient management. Even after the Administrative and Territorial Reform, local and regional governments continue to allow deficiencies already found during previous audits when assessing shareholding in municipal enterprises and in their management.

Information on the activities of municipal enterprises is only partly publicly available, although it is required to be made public by law, and it is also one of the tools to facilitate the attraction of private businesses.

**Conclusions.** The actions taken by local and regional governments in the reassessment of participation in municipal enterprises after the Administrative and Territorial Reform do not comply with laws and regulations or best practice, because an incomplete assessment of the compliance of the activities of municipal enterprises with the Law on the State Administration Structure has not been carried out, the goals to be achieved through participation in municipal enterprises have not been determined, and an analysis of financial statements has not been carried out to verify the ability of municipal enterprises to provide services to the population in the long term. In general, their management is ineffective.

**Recommendations.** Recommendations have been provided to local and regional governments, the implementation of which will improve the transparency and effectiveness of operations regarding participation in municipal enterprises, thus ensuring shareholding in accordance with the law. Timeframes for implementing recommendations: [🔗 Bauska](#) | [🔗 Cēsis](#) | [🔗 South Kurzeme](#) | [🔗 Jēkabpils](#) | [🔗 Ludza](#) | [🔗 Ogre](#) | [🔗 Preiļi](#) | [🔗 Tukums](#)

**Implementation deadline:** before January 2025.

**Communication:** [🔗 Press release](#) | [🔗 Infographic](#) | [🔗 Self-assessment questionnaire](#)

<sup>38</sup> Compliance audit.



## Do local and regional governments promote physical activity of the population?<sup>39</sup>

**In brief.** Local and regional governments have not created prerequisites for targeted work in promoting physical activities of the population due to the lack of complete and reliable data on the physically active population, their distribution by different age and gender groups, as well as on the costs of physical activity measures.

Opinions on physical activity are not ascertained in surveys that are representative and reflect the wishes and needs of different target groups.

The majority of sports events are available for children and young people whereas opportunities for other population groups to participate in physical activities are limited. There are significant differences in the distribution of financial resources for sports for boys and girls.

**Conclusions.** Local and regional governments have great opportunities to influence involvement of the population in physical activities; however, their actions so far do not reach residents of all ages and all types of target groups. There are problems in gender equality, safeguarding equal opportunities for people with functional disabilities, disseminating educational information, and identifying the wishes and needs of the community.

**Recommendations.** Regional Governments included in the audit sample are given recommendations that will promote broader involvement of the population in physical activities, namely, the proportion of physically active citizens should increase from 65% in 2022 to 67% in 2025 (Eurobarometer data). Timeframes for implementing recommendations [Smiltene](#) | [Saldus](#) | [Olaive](#) | [Jelgava](#) | [Balvi](#)

**Implementation deadline:** before December 2024.

**Communication:** [Press release](#) | [Infographic](#) | [Self-assessment questionnaire](#) | [Broadcast record](#)

<sup>39</sup> Performance audit "Are the prerequisites for the effective involvement of the population in physical activities created in local and regional governments?".



## 🔗 What is the state real estate policy, how the Ministry of Finance and SJSC “*Valsts nekustamie īpašumi*” manage real estate?<sup>40</sup>

**In brief.** Real estate is an important resource that is necessary for the implementation of state functions, including the provision of services and ensuring operations.

The state, as the owner of real estate, has transferred its responsibility to various ministries, to which the relevant property has been transferred into management.

There is a lack of a unified approach in determining rental fees. Due to the financial capabilities of state institutions, adequate provisions are not made for property restoration and full-fledged maintenance for some real estate whereas the state has allocated such funds for the lease of SJSC “*Valsts nekustamie īpašumi*” property for some state institutions that creates significant profitability for the state-owned enterprise.

There is a lack of complete, true, up-to-date, and aggregated data. The formation of the Council of the state-owned enterprise (SOE) does not indicate good governance.

**Conclusions.** In Latvia, significant irregularities have been identified in the management of state real estate in both policymaking and property management. Real estate management takes place without a unified sectoral policy and systemic approach, while the centralization of management in sectors is partial and inconsistent, there is a lack of complete, true, current and collectively compiled data, etc.

**Recommendations.** The Ministry of Finance and SJSC “*Valsts nekustamie īpašumi*” were issued [🔗 recommendations](#) recommendations the implementation of which will define the state real estate management policy and establish a national real estate information system that will contain complete, high-quality, and reliable data; provide an economically justified rental fee for public entities; improve the governance of state-owned capital shares in SJSC “*Valsts nekustamie īpašumi*” by monitoring the use of the channelled profit share in accordance with the set goals.

**Implementation deadline:** before January 2026.

**Communication:** [🔗 Press release](#) | [🔗 Infographic](#)

<sup>40</sup> Performance audit “Do the Ministry of Finance and SJSC “*Valsts nekustamie īpašumi*” plan and implement purposeful and effective management of state real estate?”



## 2.4. Implementation of audit recommendations<sup>41</sup>

Recommendations provided in audits are the most significant added value of the work of the State Audit Office. The international standards for SAIs also indicate that the recommendations provided should be such that their implementation will result in better lives for citizens<sup>42</sup>. Therefore, it is crucial for the State Audit Office of Latvia that the recommendations provided are not perceived only as a list of actions to be taken with deadlines and that the process of monitoring the implementation of recommendations is not just a formal correspondence between the State Audit Office of Latvia and the audited entity<sup>43</sup>. The purpose of each action included in the recommendations is to encourage or ensure specific changes and improvements. When providing a recommendation, a positive, tangible or detectable impact is expected as a result of its implementation.

The audited entities have taken action to implement **93.7%** of the recommendations and more than **56.4%** of the implemented recommendations were implemented within the original deadline.

Survey data<sup>44</sup>

**86%** % of opinion leaders consider that the recommendations of the State Audit Office of Latvia help state institutions make more qualitative decisions.

### Return on investment

The impact return ratio achieved as a result of the implementation of recommendations provided within the framework of the State Audit Office audits for 2023 is **1:2.99**.

The total expenditure of the State Audit Office of Latvia was 7,345,783 euros in 2023 compared to the estimated impact of 22,007,482 euros in 2023.

Quantifiable impact achieved	Impact in 2023, euros
Benefit to the population (or group of society)	► <b>15,288,757</b>
Example of the greatest impact: a single housing allowance regulation has been introduced	
Cost reduction	► <b>6,106,100</b>
Examples of the greatest impact: (1) after the Administrative and Territorial Reform, the number of employees in local and regional governments was optimised and (2) the Foundation "Riga Tourism Development Office" was dissolved in the Riga City Municipality.	
Revenue increase	► <b>612,625</b>
Example of the greatest impact: improved procedure for determining service prices and revised price list of state-owned JSC "Road Safety Directorate"	

<sup>41</sup> The framework of the 1st action line of the Strategy for 2022-2025 of the State Audit Office of Latvia "Promote sound public spending to maximise the benefits to the public."

<sup>42</sup> ISSAI 12. The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens.

<sup>43</sup> An institution that was audited and to which recommendations were made in this audit.

<sup>44</sup> In cooperation with Market and Public Opinion Research Centre SKDS, a survey of opinion leaders "The image and assessment of the activities of the State Audit Office of the Republic of Latvia from the perspective of opinion leaders" was conducted from 11 December to 21 December 2023.

## Examples of the non-quantifiable impact achieved by implementing recommendations provided in the audits by the State Audit Office of Latvia in 2023



<sup>45</sup> Section 11, Paragraphs 7 and 8 of the Social Services and Social Assistance Law.

## Ministry of Education and Science and Ministry of Welfare

## Audit report

🔗 Does the child with special needs have the opportunity to receive an education that meets his or her abilities, needs, and best interests?

## Recommendation

To facilitate that a learner is admitted to a vocational basic education program that meets his or her interests and abilities, we call on the Ministry of Education and Science, in cooperation with the Ministry of Welfare, to evaluate the possibility of assessing the suitability of a young person to acquire a certain profession before admission to vocational basic education programs, thus also promoting the achievement of the goal of vocational basic education, that is, to provide skills and abilities that would provide individuals with special needs with the opportunity to earn a living for an independent life and integrate into society.

To facilitate the involvement of young people with special needs in the labour market and the beginning of independent life, we call on the Ministry of Education and Science, in cooperation with the Ministry of Welfare, to evaluate the possibility of providing support for young people with special needs to approach potential employers and/or engage in employment promotion measures offered by the State Employment Agency (SEA) after completing their education.

## Outcome



Educational institutions have been made aware of how young people with special needs should assess their abilities to complete the chosen program, and that a young person with special needs requires support to approach potential employers and/or engage in SEA measures.

## Ministry of Education and Science

## Audit report

🔗 Do the planning of research projects and the organisation of project tenders comply with the laws and contribute to the achievement of science policy objectives?




## Recommendation

For the control environment and monitoring measures of Latvia's Science Council to ensure the organization of scientific expertise of projects of the Fundamental and Applied Research Programme and the National Research Programme that meets the requirements of laws and regulations, the transparency of the expert selection process and the traceability of the justification for decisions on the involvement of a foreign expert shall be safeguarded.

## Outcome



Latvia's Science Council has improved the transparency of the scientific review process for project applications and the traceability of decision justifications.

Ministry of Agriculture	
Audit report	<a href="#">🔗</a> How is the building of the Ministry of Agriculture managed?
Recommendation	To verify that the transaction with the building owned by “Augstceltne” Ltd is carried out in accordance with the agreement signed by the Real Estate of the Ministry of Agriculture and “Augstceltne” Ltd <sup>46</sup> , the State Audit Office of Latvia calls on the Ministry of Agriculture to report on changes within the framework of the agreement between the Real Estate of the Ministry of Agriculture and “Augstceltne” Ltd <sup>47</sup> , if any, regarding the aforementioned site, and on the fact of the transaction.
Outcome 	The joint ownership relationship on the land plot located at Republikas laukums 2, Riga, on which a 25-storey administrative building is also located, has been terminated.
Alūksne Regional Government	
Audit report	<a href="#">🔗</a> How does Alūksne Regional Government work?
Recommendation	To improve development planning and implementation of planned projects, as well as the operation of the Regional Government in accordance with laws and regulations.
Outcome  	In Alūksne Regional Government, the traceability of financing and implementation of the Municipal Development Program Action and Investment Plan has been improved.

## Communication on progress in implementing recommendations

<a href="#">🔗</a> Recommendation Platform	A page has been created on the website of the State Audit Office of Latvia where one can view recommendations from audits that still have at least one unimplemented recommendation.
Reporting to the Saeima Public Expenditure and Audit Committee	Presentations on the implementation of recommendations provided by the State Audit Office of Latvia in individual sectors, local and regional governments. <a href="#">🔗</a> Ministry of Agriculture, <a href="#">🔗</a> Ministry of Finance, <a href="#">🔗</a> Ministry of Education and Science, <a href="#">🔗</a> Ministry of Health, <a href="#">🔗</a> Ministry of Welfare, <a href="#">🔗</a> Ministry of Culture, <a href="#">🔗</a> local and regional governments. More than 85 letters have been sent on the progress of implementation of recommendations in audited entities.
#PēcRevīzijas	The hashtag activated on <a href="#">🔗</a> X and <a href="#">🔗</a> Facebook about the progress of implementing audit recommendations.

<sup>46</sup> Agreement on amendments between state-owned “Zemkopības ministrijas nekustamie īpašumi” Ltd (Real Estate of the Ministry of Agriculture) and “Augstceltne” Ltd of 16 September 2021 to Agreement No VZ/a-1-2011 of 1 April 2011 on the lease of state real estate.

<sup>47</sup> Agreement No VZ/a-1-2011 between state-owned “Zemkopības ministrijas nekustamie īpašumi” Ltd and “Augstceltne” Ltd of 1 April 2011 on the lease of state real estate.



## 2.5. Review of violations of legal provisions identified during audits<sup>48</sup>

The State Audit Office of Latvia has the authority to examine how public funds are used, as well as to provide recommendations to improve their management. The State Audit Office of Latvia does not have a punitive function but it must report to the responsible authorities on any violations found during the audits and monitor their review in accordance with the State Audit Office Law.

Auditor General Edgars Korčagins points out that there is always room for improvement, and for the further development of the State Audit Office of Latvia, he envisages the following priorities: *[.] to evaluate the results of the recovery function assigned to the State Audit Office of Latvia in 2019 and to prepare proposals for improving the recovery process. The goal is to move towards ensuring that the recovery function meets today's situation and needs. [.]*

Survey data<sup>49</sup>

**89%** of the surveyed opinion leaders agreed with the statement that the work of public administration improved after the audits by the State Audit Office of Latvia.

### Proceedings for the recovery of losses caused by unlawful actions<sup>50</sup>

Proceedings continued in 19  
previously initiated processes

► **22,086** euros recovered<sup>51</sup>

Without initiating a damages process

Damages of indemnified ► **1,751** euros<sup>52</sup>

The damage processes continued, for example, indemnification for violations in remuneration paid in a larger amount than permitted by the legal framework, or in cases not provided for by the legal framework, premiums, bonuses, severance pay, etc. were paid; in connection with concluded company contracts with officials for the performance of tasks that were already part of the tasks of these persons as representatives of the relevant institutions, and remuneration was paid to officials on the basis of a company contract, thus exceeding the maximum permitted amount of bonuses for additional work that would be payable in this case; in connection with the illegal awarding and disbursement of scholarships, etc.

<sup>48</sup>  The framework of the 2nd action line of the Strategy for 2022-2025 of the State Audit Office of Latvia, "Strengthen public confidence in the public sector by contributing to national integrity."

<sup>49</sup> In cooperation with Market and Public Opinion Research Centre SKDS, a survey of opinion leaders "The image and assessment of the activities of the State Audit Office of the Republic of Latvia from the perspective of opinion leaders" was conducted from 11 December to 21 December 2023.


<sup>50</sup> Data as of 29 February 2024.

<sup>51</sup> The loss recovery function was assigned to the State Audit Office of Latvia in 2019. To date, 88,366 euros have been recovered to the state budget.

<sup>52</sup> Already during the audit, the State Audit Office of Latvia informed the audited entity about the violation, the losses caused and the obligation of a public entity to claim compensation for losses provided for in the legal framework.

## Criminal cases<sup>53</sup>

During the reporting period, law enforcement institutions initiated five criminal proceedings regarding violations of laws and regulations identified during audits, in relation to which signs of a potential criminal offence could be detected.



Follow  
**44**  
criminal proceedings,  
including  
**14**  
currently under trial.

**One** criminal case initiated after the audit has been referred for trial in connection with violations committed in granting grants to associations and foundations.

**One** conviction has entered into force, by which an official was sentenced to three years in prison and a fine of **8,600** euros for abuse of office and deprived of the right to hold public office for four years.

## Administrative violation cases<sup>54</sup>

Reported		Outcome
The competent authorities have been notified of potential administrative irregularities identified in <b>six</b> audits:		An administrative penalty was imposed on <b>eight</b> individuals, four of whom have appealed it.
in <b>two</b> audits, to the Corruption Prevention and Combating Bureau for non-compliance with the restriction imposed on officials to handle the financial resources of a public entity;	in <b>four</b> audits, to the Procurement Monitoring Bureau in connection with violations of the procurement procedure, as well as the conclusion of contracts without a procurement procedure.	

<sup>53</sup> Data as of 29 February 2024.

<sup>54</sup> Data as of 29 February 2024.

## Disciplinary cases<sup>55</sup>

Reported	Outcome
<p>Lists of violations regarding the handling of public funds and property identified in <b>six audits</b> have been sent to audited entities and their superior authorities for the purpose of assessing the responsibility of officials.</p> <p>In accordance with the Law on the Prevention of Squandering of the Financial Resources and Property of a Public Entity, an audited entity is obliged to provide the State Audit Office of Latvia with information on the results of the liability assessment.</p>	<p>Disciplinary action was taken against <b>20</b> individuals and a reprimand was issued to <b>four</b> individuals.</p> <p>In <b>one</b> case, the person who committed the violation terminated his or her employment contract, therefore no disciplinary action was taken.</p> <p>In <b>two</b> cases, civil liability was also assessed by establishing the obligation of two individuals to compensate for losses.</p>

The disciplinary assessment of one audit finding is ongoing.

In addition to the violations identified in one audit, the audited entity has been informed of the need to assess disciplinary liability. As a result of the assessment, one individual was given a remark, and another was given a reprimand.

The positive trend continues that audited entities report increasingly not only on whether grounds for disciplinary action and the penalties imposed have been established but also on measures identified and taken as a result of the assessment to prevent further violations or to reduce the possibility of their occurrence.

<sup>55</sup> Data as of 29 February 2024.

## 2.6. Public relations<sup>56</sup>

The State Audit Office of Latvia has developed a communication strategy aiming to provide internal and external communication support for achieving the indicators set out in [the Strategy of the State Audit Office of Latvia for 2022–2025](#). The State Audit Office of Latvia is constructive in its communication, focused on solutions and future benefits for the public, as its primary task is to achieve positive changes in the work of the public sector thereby ensuring better lives to citizens.

Survey data<sup>57</sup>

**73%** of the opinion leaders believe that the State Audit Office of Latvia explains audit results and what could be improved in a specific area, sector and institution in a sufficiently understandable way. In turn, **91%** of the opinion leaders (who have read any of the audit reports by the State Audit Office) indicated that the audit reports prepared by the State Audit Office were clearly understandable.

### Communication in figures

**100%** communication about all [started](#) and [completed](#) audits

More than **60** [Press releases](#)

**5** opinion articles<sup>58</sup>

**5** expert discussions<sup>59</sup>

[Press conference](#) when publishing financial audit results and **2** press briefings<sup>60</sup>

**2** Regional Media Days [in January](#) and [in December](#)

More than **120** visual communications and infographics

Regular posting on social media [Facebook](#), [X \(Twitter\)](#), [Linkedin](#), as well as participation in broadcasts and individual meetings with mass media representatives

### TOP posts<sup>61</sup> of the State Audit Office of Latvia on social media



[Donation to Ukraine](#) – water purification plant  
[#PēcRevīzijas](#) on air quality in educational institutions  
 On [the assessment of liability](#) of officials involved in the NAF food procurement



[#PēcRevīzijas](#) about physical activities in local and regional governments  
 Donation for campaign [#DodPieci](#)  
[#PēcRevīzijas](#) on diagnostics of oncological diseases and reimbursed medications



Reflecting about [Centennial Conference](#) of the State Audit Office of Latvia  
 About Forum [“Working Together”](#) hosted by the State Audit Office of Latvia  
[Donation to Ukraine](#) – water purification plant

<sup>56</sup> [The framework of the 3rd action line of the Strategy for 2022-2025 of the State Audit Office of Latvia, Increase the impact of the work of the State Audit Office of Latvia for the public interest.](#)

<sup>57</sup> In cooperation with Market and Public Opinion Research Centre SKDS, a survey of opinion leaders “The image and assessment of the activities of the State Audit Office of the Republic of Latvia from the perspective of opinion leaders” was conducted from 11 December to 21 December 2023.

<sup>58</sup> [State Audit Office audit: children should be raised, not punished](#); [“Correcting” a child in a social correctional educational institution: mistakes that should not be repeated](#); [Children deemed “problematic” develop through adult inaction](#); [Oncology: priority without result](#) and [State support for adult education: national or personal benefit](#).

<sup>59</sup> [How to improve innovation support policy?](#); [Diagnosis of oncological diseases and reimbursed medications](#); [Citizen participation is an opportunity for quality decision-making in local and regional governments](#); [UN Sustainable Development Goals: how to “ground” them in Latvia and use them in a forward-looking manner?](#) and [How to reduce the social and economic burden on the budget, businesses, and families? Oncology](#).

<sup>60</sup> [NAF logistics service: what a purchase, what a result](#) and [Results of the financial audit in the Rēzekne City Municipality](#).

<sup>61</sup> The popularity of posts is assessed by how many times a particular post has appeared in whole or in part in a social media user's timeline. At the same time, the assessment does not include job advertisements and content created by other (mostly media) sources that has been republished on the State Audit Office's accounts.



## Cooperation with the population and socially active organizations

It is crucial to observe independence in public sector auditing, therefore achieving a balance between the independence of the State Audit Office of Latvia and the involvement of public representatives in the auditing process is essential. When planning audit work, one criterion is letters from residents and whistleblower reports. In turn, during an audit process itself, cooperation was implemented with those non-governmental organizations that provided or could provide support to the State Audit Office of Latvia in its audit work. In the reporting year, more than 56 civil society organizations were involved in ten completed audits<sup>62</sup>.

## Audit-based training and exchange of experience

One of the action lines of the State Audit Office's activities is to increase the impact of the work of the State Audit Office of Latvia for the public benefit, therefore, significant human resources of the State Audit Office of Latvia have been invested in educating the public sector and partner organizations by ensuring the transfer of knowledge gained in audits and increasing the impact of the State Audit Office's work.

In the reporting year, significant partners in educating the public sector and partner organizations were the Latvia's Municipal Training Centre and the School of Public Administration. In accordance with the invitations received, the State Audit Office of Latvia has participated in workshops and trainings that cover the relevant audit topics.

### Timeline of major events

**JANUARY**

🔗 Participation in discussion – opinion circle “How to improve the work of public administration: spend less but more efficiently” on audit findings 🔗 “Public administration, “*quo vadis*”? The plans and progress of state administration reform” and other current events.

**MARCH**

🔗 Participation in discussion “Universal benefits: good or bad idea” based on audit findings 🔗 “Does the social inclusion policy implemented in the country achieve its goals in terms of poverty reduction?”.

**MAY**

🔗 Participation in conference “Housing 2023” in connection with audit findings 🔗 “The safety of buildings: are we doing enough?”  
🔗 Participation in an international conference conference with a presentation “The importance of financial and performance audits of the State Audit Office of Latvia and the challenges of local and regional governments in ensuring sound financial management” on good governance in local and regional governments.

**JUNE**

During Conversation Festival LAMPA, a discussion 🔗 During Conversation Festival LAMPA, a discussion “Be prepared for a crisis! What is your role in the civil protection system?” and participation in discussion 🔗 “The new Local and Regional Government Law and representation of community interests”.

**SEPTEMBER**

🔗 Participation in a discussion with 35 Local Action Groups on audit findings 🔗 “How is LEADER and community-led local development managed and implemented in Latvia?”

<sup>62</sup> In performance, compliance and combined (performance/compliance) audits.

## NOVEMBER

Participation in event “Environmental and digital accessibility perspective” on audit findings “Citizen participation: an untapped opportunity for quality decision-making in local and regional governments”. Organised discussion “How to improve business innovation support policy?” on audit findings “How to improve business innovation support policy?”.

## DECEMBER

Visiting #DodPieci glass studio during campaign #Izvēliesleraudzīt (ChooseToSee) on audit findings “Children deemed “problematic”: mirror of adult inertness”. Participation in conference “Adult education for human capital development” about audit findings “State support for adult education: national or personal benefit”.

## Meeting of the Auditor General with senior state officials



In January and May 2023, Auditor General Rolands Irklis<sup>63</sup> met with Prime Minister Arturs Krišjānis Kariņš<sup>64</sup>. The conclusions of the audit of the civil protection system, the results of the 2022 financial audits, as well as other current events were discussed.



Meeting between Auditor General Rolands Irklis and President of Latvia Egils Levits<sup>65</sup> in June 2023. The audit of Latvia's progress in achieving the UN Sustainable Development Goals and the ongoing audit of the National Armed Forces' food procurement were discussed.



In August 2023, President of Latvia Edgars Rinkēvičs visited the State Audit Office of Latvia. During his visit, the strategic goals of the State Audit Office of Latvia were discussed, including increasing the proportion of performance audits and current audits.

Meeting of the newly elected Auditor General Edgars Korčagins with President of Latvia Edgars Rinkēvičs and Prime Minister Evika Siliņa.



During meetings with top officials, the planned audits of the State Audit Office of Latvia in 2024 and the scope of audit topics were discussed, including the upcoming performance audits, reviews and financial audits.

<sup>63</sup> In office until December 2023

<sup>64</sup> In office until September 2023.

<sup>65</sup> In office until July 2023.

## Cooperation with the Saeima

The State Audit Office has a close cooperation partner, the Parliament of Latvia, or the Saeima, including the Public Expenditure and Audit Committee.

During the reporting period, participation was ensured in 59 [Saeima Committee meetings](#), by giving 34 presentations, including 38 meetings of the Saeima Public Expenditure and Audit Committee, in which 20 issues were considered regarding audit results, 13 issues were considered regarding recommendations and 9 other significant issues.



In April 2023, a meeting between Auditor General Rolands Irklis and the Speaker of the Saeima Eduards Smiltēns<sup>66</sup> took place, at which the 2022 Public Report of the State Audit Office was presented as the State Audit Office's report on the achievements in 2022. In turn, in May 2023, [an annual report](#) of the Auditor General was presented to the Saeima on the achievements in 2022 and future priorities.

In October 2023, Auditor General Rolands Irklis met with the newly elected Chair of the Public Expenditure and Audit Commission, Ms Viktorija Baire.



During a repeat visit of Ms Viktorija Baire, Chair of the Saeima Public Expenditure and Audit Committee, to the State Audit Office of Latvia in December 2023, the newly elected Auditor General Edgars Korčagins discussed current issues, priorities for the audits by the State Audit Office of Latvia (conducting both systemic and rapid and focused audits), as well as future cooperation so that audits could make a greater contribution to optimising public sector costs.

## Public Council of the State Audit Office of Latvia

The Public Council of the State Audit Office of Latvia is an advisory body established by the Council of the State Audit Office of Latvia with the aim of promoting public involvement in auditing, informing about audit results and explaining the results to the public.

In the reporting year, the scope of the Public Council of the State Audit Office of Latvia was expanded by providing for the possibility that both individuals and legal entities who have specialised knowledge in one of the audited areas of the State Audit Office and who wished to engage in promoting the sustainable development of the Republic of Latvia and the lawful and effective use of public sector funds might be approved as Members of the Public Council.



The composition of the Public Council of the State Audit Office of Latvia is reviewed once a year or as necessary. In 2023, changes were made to the membership, and [the new Public Council of the State Audit Office](#) began its work in July 2023 [by meeting for the first time](#). Professor Iveta Reinholde was elected as the Chair of the Public Council of the State Audit Office of Latvia.

The Public Council is a significant adviser who assists the State Audit Office of Latvia in implementing its strategy, identify essential audit topics and is aimed at advocating the public interest in the broadest sense. Auditor General Rolands Irklis

<sup>66</sup> In office until September 2023.

## 2.7. International activities<sup>67</sup>

The State Audit Office of Latvia promotes Latvia's recognition at the international level by representing Latvia in the governing structures of international SAI organisations and in various working groups.



### International Organization of Supreme Audit Institutions (INTOSAI)

Member since 1994.  
Observer status in the Financial Audit and Accounting Subcommittee (FAAS) of the Professional Standards Committee [↗](#) (FAAS) and Performance Audit Subcommittee (PAS). [↗](#) Member of the Working Group on Environmental Auditing and [↗](#) INTOSAI Forum of SAs with jurisdictional functions, INTOSAI Task Force on Citizen Participation and Civil Society Engagement, INTOSAI Working Group on Evaluation of Public Policies and Programs. Member of [↗](#) INTOSAI Young Leaders Programme (2022–2023).



### European Organization of Supreme Audit Institutions (EUROSAI)

Member since 1995.  
[↗](#) Member of the EUROSAI Governing Board until May 2024, responsible for the portfolio "EUROSAI cooperation with non-SAs".  
Member of four working groups: (1) [↗](#) Working Group on Environmental Auditing; (2) [↗](#) Working Group on Information Technologies Auditing; (3) [↗](#) Task Force on Municipality Audit; (4) [↗](#) Working Group on the Audit of Funds Allocated to Disasters and Catastrophes. SAI Latvia also participates in the [↗](#) Network for Ethics.



### Audit Committee of the Organisation for Economic Co-operation and Development (OECD)

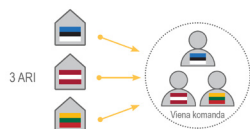
The mandate for the period 2022-2024 has been approved. The work in the OECD [↗](#) Audit Committee provides a new platform for the further professional development of the State Audit Office of Latvia as the application of audit expert competences internationally.



Contact Committee  
of the Supreme Audit Institutions of the European Union

### Association of Supreme Audit Institutions of the Member States of the European Union and the European Court of Auditors or [↗](#) Contact Committee

Member of four working groups: (1) [↗](#) Working group on Value Added Tax; (2) [↗](#) Working Group on preventing and combating irregularities and fraud; (3) [↗](#) Working Group on Audit of NextGenerationEU and the European Recovery and Resilience Facility; (4) [↗](#) Network on Fiscal Policy Audit. SAI Latvia is also a member of the Network for Energy Auditing.



### Task Force Rail Baltica

[↗](#) The Task Force was established in 2016 by concluding a Memorandum of Understanding among the three supreme audit institutions of the Baltic States with the aim of coordinated monitoring of the Rail Baltica project, assessing project risk factors and activities of the established joint venture, share information on experience and results, and conduct a joint audit of the Rail Baltica project in accordance with international auditing standards.



### Cooperation mechanisms with other SAIs

15 mutual cooperation agreements with supreme audit institutions and [↗](#) INTOSAI Development Initiative.

<sup>67</sup> [↗](#) The framework of the 3rd action line of the Strategy for 2022-2025 of the State Audit Office of Latvia, "Increase the impact of the work of the State Audit Office of Latvia for the public interest" and the 4th action line "Ensure the efficient operation of the State Audit Office and promote the professional growth and motivation of employees under the conditions of new opportunities and challenges".



## Timeline of major events

JANUARY

[Participation](#) in a symposium organized by EUROSAl on sustainability issues in public service auditing and the impact of digitalization on the work of SAls and state administration in general.

FEBRUARY

[Organised](#) EUROSAl working group on SAl cooperation with civil society.

MARCH

The State Audit Office of Latvia, as the manager of the EUROSAl Governing Board portfolio "Cooperation with non-SAls", [organised](#) organised a webinar to promote joint cooperation and improve communication among internal and external auditors at the European level.

APRIL

Participation in the EUROSAl WGITA meeting by [presenting](#) main conclusions of the performance audit on ensuring the accessibility of information systems and e-services.

MAY

[Participation](#) in the meeting of Task Force Rail Baltica organized by SAl Lithuania by discussing issues related to the joint audit.

JUNE

In Bosnia and Herzegovina, the role and contribution of the Public Council of the State Audit Office of Latvia to engage the public and improve the quality of audit work was [presented](#).  
Participation in the 58th EUROSAl Governing Board meeting, during which [information](#) was provided on the progress of the Governing Board portfolio "EUROSAl cooperation with non-SAls" activities in 2022 and plans for 2023.  
Participation in the Contact Committee meeting by [presenting](#) the main conclusions of the audit on the "green" electricity support policy.

JULY

[Visit](#) to the European Court of Auditors to discuss the strategic plans and work of both institutions in the area of audits of the Recovery and Resilience Facility.  
[Signing](#) of a cooperation agreement to support SAl Dominica.

AUGUST

As part of the centennial anniversary of the State Audit Office of Latvia [an international discussion](#) was held with eight heads and top-level representatives of SAls on SAl cooperation with stakeholders.

SEPTEMBER

Participation in the second Baltic SAl Forum by [sharing experience](#) on audits in the field of education and social affairs, as well as on monitoring the implementation of audit recommendations.  
The visit to SAl Lithuania in preparation for [taking over the leadership](#) of the EUROSAl Working Group on Municipality Audit in 2024.  
[Participation](#) in the first meeting of the project working group initiated by EUROSAl and SAl UK, which decided to coordinate support for the colleagues from SAl Ukraine.  
Participation in the international workshop organized by SAl Czech Republic and the EUROSAl Working Group on Environmental Auditing meeting by [sharing experience](#) on greening issues, as well as audits in the field of sustainable energy.

OCTOBER

The State Audit Office of Latvia, as the manager of the EUROSAl Governing Board portfolio "Cooperation with non-SAls", [organised](#) an international forum on cooperation among external and internal auditors in Brussels, bringing together more than 80 representatives of European SAls and internal audit institutions.  
[A presentation](#) on the planning and preparedness of the national civil protection system was given at the meeting of the EUROSAl Working Group on the Audit of Funds Allocated to Disasters and Catastrophes.

NOVEMBER

[Sharing experience](#) with representatives of the state administration of Uzbekistan to strengthen the administrative capacity of public authorities in Uzbekistan.

DECEMBER

[Participation](#) in the extraordinary meeting of the EUROSAl Governing Board regarding XII EUROSAl Congress planned for May 2024.

## 2.8. International projects<sup>68</sup>

### Support to SAls of the EU Eastern Partnership<sup>69</sup> countries

**Project:** Capacity building of the SAls of Moldova, Georgia and Ukraine in the process of integration of ISSAIs.

**Project funding and its source:** State budget of the Republic of Latvia, in accordance with the annual Development Cooperation Policy Plan - 23,000 euros.

**Implemented activities:** (1) training and experience exchange in audit improvement (in cooperation with the international donor, the Kingdom of Sweden). (2) advisory support to SAI Georgia by strengthening its capacity to assess IT controls within the framework of financial audits; (3) meetings organised at the Ministry of Finance and the State Treasury of Moldova, which are directly responsible for the policy and drafting of state budget statements. SAI Moldova was also provided with advisory support to members of the institution's IT audit team, as well as to improve the system for monitoring the implementation of audit recommendations.

**Working visits:** [🔗 Moldova \(March\)](#) | [🔗 Moldova \(May\)](#) | [🔗 Georgia \(December\)](#)

### Support for Strengthening the Capacity of SAI Gambia

**The project is implemented by** INTOSAI Development Initiative (IDI), the State Audit Office of the Republic of Latvia, the African Organisation of Supreme Audit Institutions. In 2023, experts from SAI UK, SAI Norway and SAls Kenya and Sierra Leone were also engaged as regional partners to provide support to SAI Gambia.

**Project funding in 2023<sup>70</sup>:** 49,000 euros.

**Implemented activities:** (1) participation in the final phase of the 2023 work plan development process; (2) support in developing a materiality policy; (3) support in performance auditing; (4) support for the second phase audits related to the COVID-19 pandemic; (4) support in auditing annual financial statements; (5) implementation of the training plan and analysis of additional training needs; (6) work continued on adapting and updating audit methodologies.

**Working visit:** [🔗 The Gambia \(March\)](#)

### Participation of the State Audit Office of Latvia in the Global Integrity Initiative (GII)

**Project:** support project to SAI Dominica. Agreement of the State Audit Office of Latvia on cooperation in providing support to SAI Dominica between the INTOSAI Development Initiative, the Caribbean Organisation of Supreme Audit Institutions (CAROSAI) and SAI Dominica.

**Project funding for 2023–2025<sup>71</sup>:** 100,000 euros

**Activities implemented:** (1) training on strategic planning issues; (2) training on conducting compliance audits; (3) organisation of training on the principles of ISSAI and practical aspects of their application; (4) exchange of experience in cooperation with stakeholders.

**Working visits:** [🔗 Dominica \(May\)](#) | [🔗 Dominica \(December\)](#)

**Communication:** [🔗 Support plan](#) | [🔗 Signing an agreement](#) | [🔗 Support to developing countries](#)

<sup>68</sup> [🔗 The framework of the 3rd action line of the Strategy for 2022-2025 of the State Audit Office of Latvia](#), "Increase the impact of the work of the State Audit Office of Latvia for the public interest".

<sup>69</sup> The EU Eastern Partnership was established with the aim of promoting political association and economic integration with the European Union's eastern neighbours in order to foster stability, economic growth and mutual trust in the region. The Eastern Partnership is implemented with regard to Moldova and Ukraine in Eastern Europe and Georgia, Armenia and Azerbaijan in the South Caucasus. Since the establishment of this policy, the EU Eastern Partnership has been a priority of Latvia's foreign policy and Latvia participates actively in the development of the Eastern Partnership policy.

<sup>70</sup> INTOSAI Development Initiative (IDI) is funded by SAI Norway and international donors: UK Aid, INTOSAI, Austrian Development Agency and Swedish International Development Cooperation Agency (SIDA).

<sup>71</sup> Funding from the EU, US government and IDI funds, as well as financial and technical resources from cooperation partners.

## 2.9. Internal control system<sup>72</sup>

An internal control system has been established to ensure successful achievement of strategic goals and efficient operation of the State Audit Office of Latvia.

Activity	Achievement
Internal audit	An internal audit was conducted on the organization of the certification process for Heads of sectors and auditors.
	The implementation of recommendations made as a result of internal audits conducted in previous years was monitored.
Risk assessment	Monitoring of the implementation of the measures to mitigate/prevent risks set out in the risk assessment of the implementation of the Strategy 2022-2025 of the State Audit Office of Latvia was carried out.
Peer Review	Work has been initiated on the implementation of the recommendations of the <a href="#">Peer review</a> <sup>73</sup> of the State Audit Office of Latvia carried out in 2022, as a result of which the experts of the State Audit Office of Latvia were familiarised with its performance audit expertise and practice, as well as the assessment of economy, efficiency and effectiveness of the impact made in an exchange of experience with SAI UK.
Quality control of closed audits	Following the recommendations provided, negotiations have been initiated on the exchange of experience (on performance audit issues) in an international environment with SAI Sweden.


In implementing the plan to reorganise the internal audit and quality management of the State Audit Office (i.e., separating the internal audit function from quality management), functions and international practice in other SAIs have been reviewed. As a result, a decision has been made to establish separate positions for an internal auditor and an expert in quality management system and audit results improvement, without increasing the total number of support, staff.

<sup>72</sup> [SAI](#) The framework of the 4th action line of the Strategy for 2022-2025 of the State Audit Office of Latvia, "Ensure the efficient operation of the State Audit Office and promote the professional growth and motivation of employees under the conditions of new opportunities and challenges."

<sup>73</sup> An internationally accepted way to conduct such an assessment is a peer review. These are reviews carried out in a specific supreme audit institution by representatives of SAIs from other countries in accordance with international auditing standards.

## 2.10. Activities for sustainability<sup>74</sup>

For the second year in a row, the State Audit Office of Latvia participated in the “Sustainability Index” assessment conducted by the Institute for Corporate Sustainability and Responsibility, which helps determine the sustainability of an institution’s operations.



**VALSTS KONTROLE**

ILGTSPĒJĀS INDEKSS **2023** ZELTA KATEGORIJA

In the assessment of the Institute for Corporate Sustainability and Responsibility “Sustainability Index 2023”, a confirmation of compliance to the [Gold category](#) was received.

Gold status holders demonstrate openness and transparency by publicly communicating about key sustainability aspects.

Recognizing the responsibility of the State Audit Office of Latvia as the supreme audit institution in sustainability, sharing experience on the path towards compliance with the Gold category at [an informative workshop](#) organised by the State Environmental Supervision Office for state and municipal specialists and NGO representatives on the European Union Eco-Management and Audit Scheme (EMAS).

The reporting year was the first in which the activities in sustainability set out in [the Greening Plan for 2022–2025 of the State Audit Office of Latvia](#) were implemented and the first results were achieved.



**– 37%**  
electricity consumption<sup>75</sup>



**– 81%**  
paper consumption<sup>76</sup>



**– 81%**  
bottled water consumption<sup>77</sup>




**– 100%**  
printing equipment toner consumption<sup>78</sup>

The procurement Commission of SAI Latvia has assessed the possibility of including environmental criteria in all procurements<sup>79</sup> and has included environmental criteria by implementing green public procurement.

The vision of SAI Latvia on sustainable procurement and its organisation was presented at workshop [“Sustainable Procurement: YES or NO?”](#) of the Institute for Corporate Sustainability and Responsibility.

### New initiative: electronic auction



**VALSTS KONTROLES PIEREDZE**

Izsole – “zaļāks un ilgtspējīgāks solis” nekā utilizācija

To reduce the amount of waste generated, a pilot project was implemented in 2023 by replacing the previous practice of disposing of unnecessary/outdated items with [an electronic auction](#).

Experience of the SAI Latvia: an auction is a greener and more sustainable step than disposal.

<sup>74</sup> [The framework of the 4th action line of the Strategy for 2022–2025 of the State Audit Office of Latvia](#), “Ensure the efficient operation of the State Audit Office and promote the professional growth and motivation of employees under the conditions of new opportunities and challenges.”

<sup>75</sup> Compared to the average power consumption for 2019–2021. Data on electricity meter readings, which record the electricity consumption of the State Audit Office of Latvia separately.

<sup>76</sup> Compared to the average consumption for 2019–2021.

<sup>77</sup> Compared to the average consumption for 2019–2021.

<sup>78</sup> Compared to the average consumption for 2019–2021. In 2023, toner powder cartridges were not purchased because the purchase of individual printing equipment was previously carried out in the Electronic Procurement System where only individual printing equipment complete with six toner powder cartridges was available for purchase (there was a surplus of toner powder cartridges in the warehouse in 2023).

<sup>79</sup> In all procurements where there is no risk of not receiving the service due to one potential bidder.





# RESOURCES OF THE STATE AUDIT OFFICE OF LATVIA

3.1. Human resources

3.2. Financing of the State Audit Office and its use



## 3.1. Human resources<sup>80</sup>



**180**  
staff positions



**140**  
audit  
functions



**40**  
support  
functions



The State Audit Office employed



**163**<sup>81</sup>  
Employees  
and officials



**124**  
audit  
staff



**39**  
support  
staff

Average number of employees **162**

**96%**

of employees (including officials)  
have higher education

**76%**

A master's degree

**2%**

A doctoral degree



Average age of  
employees is

**45** years

Distribution of employees and  
officials by age groups

<b>20-29</b>		<b>7</b>
<b>30-39</b>		<b>45</b>
<b>40-49</b>		<b>61</b>
<b>50-59</b>		<b>36</b>
<b>60 +</b>		<b>14</b>

Distribution of employees and  
officials by gender groups



women

**80.4%**



men

**19.6%**

Announced

**6**   
Competitions

to vacant positions.  
As a result of the competitions,

**173**   
applications were received



**18**  
employees  
started working



**20**  
employees  
terminated  
employment

Staff turnover rate **12.3%**

Average years of  
employment

**8** years

The previously implemented work organization was maintained: employees worked in a hybrid mode (partially in person/remotely). To ensure that employees can perform their work more fully remotely, IT were developed and measures were taken to ensure mobility.

<sup>80</sup> The framework of the 4th action line of the Strategy for 2022-2025 of the State Audit Office of Latvia, "Ensure the efficient operation of the State Audit Office and promote the professional growth and motivation of employees under the conditions of new opportunities and challenges."

<sup>81</sup> Including long-term absentees.

## Increasing the professional competence of employees

During the reporting period, training programs and exchange of experience were implemented to achieve the set goals, employees would feel more motivated and more resilient in facing change. In general, to increase professional competence, the staff ensured participation in 198 training events, of which 179 were external training and 19 were internal training.

Internal teaching staff conducted training on such topics as, loss recovery records, assessment of violations detected during audits, use of standardised audit programs and automated analysis tools, the most important aspects of the work of SAIs, the most important aspects of the public sector, and retrieving reports necessary for the audit from accounting systems.

External teaching staff conducted training on such topics as, information system security, personal data protection, mentor training, information literacy training.

To gain international experience, experts from the State Audit Office of Latvia exchanged experiences with SAI UK and learned about its performance audit experience and practice. In turn, with the participation of colleagues from Sweden, the Netherlands, Norway and Belgium, the State Audit Office of Latvia organised an international workshop “Innovations in a SAI and Public Sector Auditing”.

## Auditor certification

In accordance with the State Audit Office Law<sup>82</sup> a provision took effect in 2023 that a Head of Sector of an Audit Department could be a person who obtained a certificate<sup>83</sup> for conducting public sector audits, and an audit group could be led by a Head of Sector or an auditor who held such a certificate.

While continuing the certification of Heads of Sectors and auditors, **20 certificates for conducting performance audits were issued**. In the reporting year, **15** certificates for conducting performance audits and **32** certificates for conducting financial audits were maintained in accordance with the requirements. In December 2023, changes were made to the organization of certification training.

There are **51** certified individuals for conducting performance audits and **44** certified individuals for conducting financial audits in employment relations with the State Audit Office of Latvia<sup>84</sup>.


## Certificate of Acknowledgment

In accordance with the Law on State Awards, the award of the State Audit Office of Latvia, that is, **a Certificate of Acknowledgment** has been established. A Certificate of Acknowledgment is awarded to cooperation partners of the State Audit Office of Latvia and officials and employees of the State Audit Office to express appreciation for their contribution to the achievement and development of the goals set by the State Audit Office of Latvia. Certificates of Acknowledgment are presented once a year on the day of the establishment of the State Audit Office of Latvia, on 16 August or on another day when this anniversary is celebrated.

<sup>82</sup> [State Audit Office Law](#).

<sup>83</sup> In cooperation with Stockholm School of Economics in Riga Ltd, there are two training courses in the professional development education programs “Financial Audit in Public Sector” (license No P-16532) and “Performance Audit in Public Sector” (license No P-167320) for public sector auditors/ auditors developed that the Education Quality Service has licensed.

<sup>84</sup> Data as of 31 December 2023, including four people whose certificates have been suspended.

In 2023,  **Certificates of Acknowledgement** were presented at the international conference “100 years of AUDIT STRENGTH” hosted by the State Audit Office of Latvia. During the reporting year, Certificates of Acknowledgement were presented to 13 employees of the State Audit Office of Latvia.



Meanwhile, from among the cooperation partners, a Certificate of Acknowledgement was presented to the Latvian Municipal Training Centre and Professor Iveta Reinholde for active and professional explanation of audit results conducted by the State Audit Office of Latvia in the public space.

## Mentoring Service

The work started in 2022 on the development of the Mentoring Service of the State Audit Office of Latvia was continued in the reporting year, as effective mentoring and internal institutional cooperation are an essential part of the new employee induction process. The purpose of the Mentoring Service is to enrich the experience of participants, develop their skills, as well as deepen their professional skills and give a broader perspective on the surrounding processes. By giving advice and support, one can spark curiosity and create positive and pleasant conditions for employee integration to reduce the number of employees who terminate their employment relationship in the first year of employment.

15 employees of the State Audit Office completed mentor training in 2023. Since the establishment of the Mentoring Service of the State Audit Office of Latvia in 2022, 30 mentors have been trained at the State Audit Office.

## Value Ambassadors

The Value Ambassadors were established as a value orientation initiative of the State Audit Office of Latvia to promote implementation, updating and strengthening of the mission, vision and values of the State Audit Office of Latvia.

The group of Value Ambassadors consists of nine colleagues who have agreed to participate and facilitate the implementation, updating and strengthening of values voluntarily.



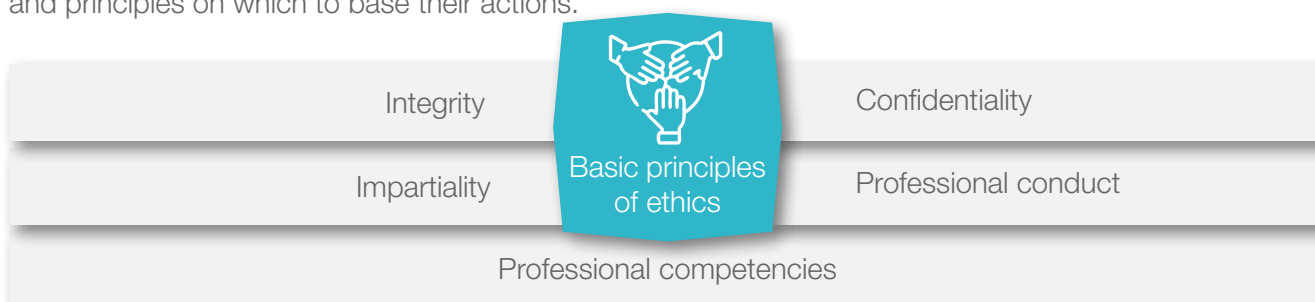


The contribution of the Value Ambassadors is significant when organising events for the exchange of experience and informal discussions on topics such as the use of data analysis and visualization tool Power BI, the use of the design tool Canva, the use of MS Teams - Viva Learning section, artificial intelligence - ChatGPT, measuring the UN SDGs, business correspondence via e-mail (in Latvian and English).

To support internal communication, an IT development project "Development and implementation of the State Audit Office intranet" has been implemented where the Value Ambassadors are involved in the exchange of ideas as members of the working group.

## The integrity framework of the State Audit Office of Latvia

The basic principles of ethics in the State Audit Office of Latvia are enshrined in the State Audit Office [Code of Conduct](#) and the State Audit Office Code of Conduct Manual. The State Audit Office of Latvia is bound by ISSAI 130<sup>85</sup> Standard to provide a supreme audit institution and its staff with a set of values and principles on which to base their actions.



The State Audit Office of Latvia has an Ethics Commission the activities of which are regulated by the Ethics Commission Regulations. The Ethics Commission is led by Ms Inese Kalvāne, Chairperson of the Commission, Council Member of the State Audit Office of Latvia, Director of the First Audit Department, and the Commission consists of four members.

During the reporting period, an Ethics Week was organised, an employee survey was conducted on integrity issues, and a guest lecture on artificial intelligence and organisational integrity aspects was organised.

<sup>85</sup> International Organization of Supreme Audit Institutions (INTOSAI) standards (ISSAI).

## 3.2. Financing and spending

The State Audit Office of Latvia receives funding for the provision of basic functions from the state budget. In 2023, the budget of the State Audit Office of Latvia was 7.72 million euros, which was 1.3% less than in the previous year (7.82 million euros). The decrease in funding is due to less additional funding allocated for the implementation of priority measures and less funding allocated from the budget program 01.00.00 "Appropriation reserve" compared to the previous year.

No	Financial indicators	Previous year (actual outturn)	Reported year, euros		
			Approved in the Law (no amendments)	Approved in the Law (with amendments)	Actual outturn
1.	<b>Financial resources to cover expenditure (total)</b>	<b>7 305 258</b>	<b>7 607 505</b>	<b>7 724 974</b>	<b>7 345 783</b>
1.2.	Grants	7 282 311	7 607 505	7 702 745	7 323 733
1.3.	Transfers	22 947	0	22 229	22 050
2.	<b>Expenditure (total)</b>	<b>7 305 258</b>	<b>7 607 505</b>	<b>7 724 974</b>	<b>7 345 783</b>
2.1.	Maintenance costs (total)	7 218 139	7 521 072	7 626 341	7 260 013
2.1.1.	Current expenditure	7 201 627	7 503 543	7 608 812	7 243 432
2.1.1.1.	Remuneration	5 952 871	6 240 100	6 310 327	6 217 597
2.1.1.2.	Goods and services	1 248 757	1 263 443	1 298 485	1 025 835
2.1.2.	Subsidies, grants, and social benefits	320	320	320	320
2.1.3.	Current payments to the European Community budget and international cooperation	16 192	17 209	17 209	16 261
2.2.	Capital expenditure	87 118	86 433	98 633	85 770

The actual expenses of the State Audit Office of Latvia were 7.35 million euros in 2023.



The largest proportion of expenditure consisted of the costs for remuneration of 6,217,596 euros or 84.6% of budget expenditure, which was 3% more than in the previous year (5,952,871 euros). The increase in expenditure was related to the increase in remuneration for employees of the State Audit Office of Latvia according to the amendments to the Law on the Remuneration of Officials and Employees of State and Municipal Institutions<sup>86</sup>.

The second largest proportion of expenditure was attributed to the purchase of goods and services of 1,025,835 euros or 14.0% of budget expenditure that was 3.09% less than in the previous year (1,248,757 euros). The decrease in expenditure was mainly related to the termination of public procurements of goods and services without any result and the announcement of repeated procurements. 57.9% of expenditure for the purchase of goods and services were expenses for the rental of premises and utilities.

The amount of expenditure for office premises such as rent and utilities was 593,625 euros in the reporting year, which was 4.14% less than in the previous year (619,260 euros). This can be explained by the reduced costs of rental and utility payments as a result of the reduction in the area of office premises.

The State Audit Office of Latvia has been renting office premises at 50 Skanstes iela, Rīga, from a private sector economic operator since 2006. The total area of the rented premises is 4,014 m<sup>2</sup>. Since some of the employees of the State Audit Office of Latvia work in hybrid mode (in-house and remotely) and the Office plans to maintain such an option in the future, the area of the rented premises was reduced by 167 m<sup>2</sup> in the reporting year which resulted in budget savings in the amount of 21,700 euros. The term of the lease agreement on the premises of the State Audit Office of Latvia is 2027. In 2023, the State Audit Office of Latvia continued its work<sup>87</sup> on identifying the needs and possibilities for providing premises to find an optimal premises solution in a timely manner after the existing lease agreement ends.

<sup>86</sup> Amendments to the Law on Remuneration of Officials and Employees of State and Municipal Institutions took effect on 1 July 2022.

<sup>87</sup> On 15 January 2024, the Council of the State Audit Office of Latvia made a decision (Minutes No 3, § 3) to accept the offer of State-owned Joint Stock Company "Valsts nekustamie īpašumi" (State Real Estate) for the establishment of an office based on the activities of the State Audit Office at 26 Krišjāņa Valdemāra iela, Rīga.

## Funding for priority measures and its spending

In the process of drafting the state budget for 2023, the State Audit Office of Latvia submitted an application for a priority measure for 2023–2025 “Strengthening the capacity of the State Audit Office of Latvia in public sector audits by strengthening the sense of statehood” with the aim of strengthening the capacity of the State Audit Office of Latvia by:

- 1) developing new information technology solutions and improving the integrity of existing solutions throughout the entire period of the Strategy of the State Audit Office of Latvia;
- 2) attracting sector experts and involving socially active organizations and citizens in conducting complicated, systemic audits;
- 3) updating the role of SAI in a democratic and law-based state at an international conference.

Funds were also earmarked for the payment of severance pay in the amount of three monthly salaries<sup>88</sup> for Council Members of the State Audit Office of Latvia.

154,610 euros were allocated for the implementation of the priority measure in 2023 wherefrom 113,360 euros, or 73% were spent.

As part of the priority measure, the international conference [“100 years of AUDIT STRENGTH”](#) of the State Audit Office of Latvia was hosted in 2023; the IT development project “Development and implementation of the State Audit Office intranet” was implemented to support internal communication; the IT development project “Purchase, implementation and maintenance of the document management system of the State Audit Office of Latvia” was implemented to develop the records management information system, and 53% of resources from the total time spent on audits<sup>89</sup> were directed to performance, compliance and combined audits.

Unspent funds for priority measures in 2023 are related to unpaid severance payments to Council Members of the State Audit Office of Latvia (Council Members retained the status of elected officials and continue to work in the State Audit Office) and a smaller amount of funds spent to attract experts to audits, as well as to develop the performance management information system.

## Research<sup>90</sup>

In cooperation with Market and Public Opinion Research Centre SKDS, one Omnibus survey was conducted as part of the auditing (contract sum was 3,778 euros, including VAT). To determine the public opinion and attitude towards the State Audit Office of Latvia, a public opinion survey “The image and assessment of the activities of the State Audit Office of the Republic of Latvia from the perspective of opinion leaders” was conducted in cooperation with Market and Public Opinion Research Centre SKDS (contract sum was 8,155 euros, including VAT).

<sup>88</sup> Section 17, Part 12.1 of the Law on Remuneration of Officials and Employees of State and Municipal Institutions (in force from 1 July 2022).

<sup>89</sup> Resources allocated to performance, compliance, combined (compliance/performance) and financial audits (for assessing compliance issues) out of the total time spent on audits in 2023.

<sup>90</sup> Information on the results of research conducted by the State Audit Office of Latvia is available in [the Research and Publications Database of the State Chancellery](#).





# PRIORITIES FOR THE NEXT YEAR

## 4. Priorities for 2024

## Priorities for 2024

The priorities for 2024 essentially stem from [Strategy 2022–2025 of the State Audit Office of Latvia](#). Special emphasis is planned on several activities of the State Audit Office of Latvia.



Increase the proportion of performance audits to make a greater contribution to optimising public sector costs by assessing opportunities for reducing administrative and bureaucratic burdens by informing audited entities about necessary improvements already during an audit.



Observe deadlines for conducting financial audits, as a deadline for submitting an annual report will change starting from 2024 (for the 2023 report), i.e., one month earlier.



Implement internal project of the State Audit Office “Provision of a single report by an independent auditor in financial audits, in the audit of an annual consolidated financial statement” by redirecting as many audit resources as possible from financial to performance audits



Assess the results of the recovery function assigned to the State Audit Office of Latvia in 2019 and draft proposals for improving the recovery process based on the conclusions made.



Improve monitoring of the implementation of audit recommendations made as a result of audits and public communication about the results of the implementation of audit recommendations by focusing on specific, measurable results to be achieved where possible.



Maintain and further develop public sector auditor certification system and range of educational activities with high-quality knowledge-enhancing training.



Organise a technical meeting of the EUROSAI Governing Board in Riga before the XII EUROSAI Congress.



Take over the lead of the [EUROSAI WGMA](#) by developing and making the external audit system of municipalities more effective to improve the quality of life of citizens in the responsibility areas of municipalities together with other SAs.





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State Audit Office of the Republic of Latvia

