



# On the Annual Consolidated Financial Statement of the Republic of Latvia for 2024



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## Audit report

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“On the Annual Consolidated Financial Statement of the Republic of Latvia for 2024”.

Financial audit “On the Annual Consolidated Financial Statement of the Republic of Latvia for 2024”.

The audit was performed by Senior State Auditors Vineta Alksne, Ludmila Orlova, Ineta Rancāne, Vineta Dmitrijeva (from 4 April 2024), State Auditors Ieva Putniņa (until 30 April 2025), Darja Turigina, Natālija Doņeckā, Līga Vīksna-Birule (from 4 April 2025), Information System Auditor Jānis Silinieks, Heads of Sector Ingrīda Kalniņa-Junga, Irita Kornete-Līva, Department Director Ilze Bādere based on audit schedule No 2.4.1-81/2024 of the Audit and Methodology Department (the Financial Audit Department from 1 May 2025) of the State Audit Office of Latvia of 9 September 2024.

The Audit Report shall take effect when the decision of the Financial Audit Department of the State Audit Office of Latvia on approval of the Audit Report is approved.

The cover design includes an image from the website [www.canva.com](https://www.canva.com), *Euro coins. Euro money. Euro currency*, author *Marian Vejčík*.

## Summary

The Ministry of Finance drafts the Annual Consolidated Financial Statement of the Republic of Latvia for 2024 (hereinafter referred to as the ACFS 2024); it is available in the section “Reports and Estimates” of the website of the State Treasury [www.kase.gov.lv](http://www.kase.gov.lv).

The ACFS consolidates 73 reports<sup>1</sup> (Figure 1):

- The ACFS includes annual reports of 14 ministries (annual consolidated financial statement includes annual report of an individual ministry institution and annual reports of the state budget institutions involved in the consolidation, public entities partially financed from the state budget and institutions not financed by the budget<sup>2</sup>), 12 central government institutions, the Saeima (Parliament of Latvia) and the State Audit Office of Latvia;
- 43 annual reports of local and regional governments (36 regions and 7 cities<sup>3</sup>) (local and regional governments include an annual report of an individual institution, annual reports of budgetary institutions involved in the consolidation and joint institutions (in terms of [the Law on Local and Regional Governments](#)) in an annual consolidated financial statement. An annual report of joint institution shall be included in the consolidated statement of a local or regional government, for which such obligation is stipulated in the regulations of joint institution<sup>4</sup>);
- Overview of state budget financial accounting;
- A report of the State Revenue Service of Latvia (hereinafter referred to as the SRS) on taxes, fees and other payments attributable to the state budget administered by the institution.



Figure 1. Scheme for drafting and verification of the annual consolidated financial statement (consolidated reports).

The ACFS 2024 shows in figures that the balance sheet total, revenues, expenditure and public debt are still increasing (Figure 2).

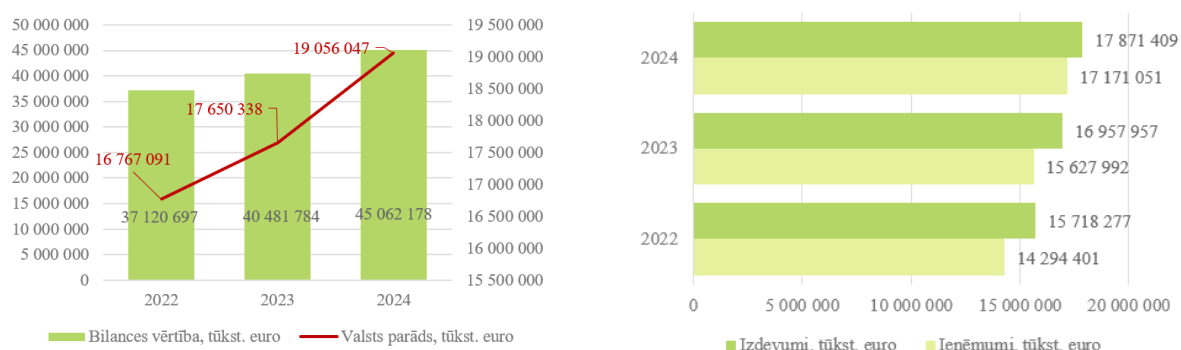


Figure 2. Balance sheet total, public debt, consolidated revenues, expenditure of the ACFS (budget outturn), thousands of euros) (In 2022, 2023, and 2024 /balance sheet value, thsd euros, consolidated public debt, thsd euros; expenditure, thsd euros, revenues, thsd euros/.

The increase in public debt was 19,056,047,000 euros at nominal value (excluding the currency result of derivative financial instruments linked to debt securities) at the end of 2024. The debt has increased by 8%, which was determined by the borrowing measures taken last year to ensure the overall financing needs, including to finance the state budget deficit and refinance public debt liabilities (See detailed information in the section [“Sustainability in public financial management”](#)).

The general government debt of Latvia, which is mainly influenced by the public debt, is still lower than the average in the European Union (hereinafter referred to as the EU) Member States. However, one should note that it has a tendency to increase rapidly in recent years. Given the public debt repayment schedule and development forecasts, it is expected that the general government debt level as a percentage of the gross domestic product (hereinafter referred to as GDP) will increase gradually, and therefore the planned expenses for debt servicing will also increase.

The financial deficit in the consolidated general budget was 700,358,100 euros in 2024, which was 629,606,100 euros less than in 2023. The reasons for the deficit reduction are the increase in foreign financial assistance and tax revenues, as well as lower-than-planned expenditure for the EU fund projects and basic state functions.

The revenue of the consolidated general budget was 17,171,050,700 euros in 2024, which, compared to 2023, has increased by 1,543,059,100 euros, or 9.9 %. The increase in total budget revenues was caused by tax revenues mainly. In 2024, these were 13,583,512,600 euros and received foreign financial assistance revenue of 1,835,845,900 euros. Tax revenue, after a decrease during the COVID-19 pandemic years and then a period of rapid inflation and energy price increases, is gradually returning to the growth observed in the pre-pandemic period. Although economic growth was low for 2024, tax revenue growth exceeded it, mainly due to high growth in labour taxes and additional revenues from the banking sector<sup>5</sup>, which were facilitated by the increase in interest rates implemented by the European Central Bank.

The expenditure of the consolidated general budget reached 17,871,408,800 euros in 2024, which was by 913,452,100 euros, or 5.4% more than in 2023. The largest increase in expenditure was for remuneration and social payments and allowances, while expenditure for the implementation of foreign financial assistance projects was lower than a year earlier:

- Expenditure for remuneration was 4,083,856,800 euros, which, compared to 2023, has increased by 482,425,300 euros, or 13.4%. The reasons for the increase are the increase in the minimum wage from 620 euros to 700 euros on 1 January 2024, an increase in the remuneration of teachers, employees in defence, internal affairs and justice sectors.
- Social payments and compensations constituted 5,204,111,300 euros, which is 374,612,700 euros, or 7.8% higher than in 2023, including the expenditure from the state special budget for pensions and allowances of 4,275,352,300 euros, which increased by 322,740,000 euros, or 8.2%. With the increase in the average amount of pensions (as a result of indexation), expenditure for old-age pensions increased by 224,614,000 euros, or 8%, and expenditure for disability pensions increased by 18,416,100 euros, or 7%. Expenditure for sickness allowance was 42,844,000 euros, or 12.9% higher than a year ago. Expenditure for unemployment allowance was 185,261,000 euros, which has increased by 29,126,400 euros, or 18.7% compared to 2023, which was determined by both an increase in the number of allowance recipients, on average by 7.6% per month, with the growth slowing down at the end of the year, and a 10.1% increase in the amount of the allowance granted<sup>6</sup>.
- Capital expenditure was 1,549,972,300 euros, which is 92,502,200 euros, or 6.3% higher than a year earlier. The increase in capital expenditure in the state basic budget is mainly related to the basic function for the formation of gross fixed capital for defence sector investments and EU fund projects. Including, capital expenditure in the state basic budget for the Connecting Europe Facility co-financed Rail Baltica project was 157,986,500 euros in 2024, which is 9,792,600 euros, or 6.6% more than in 2023<sup>7</sup>.

In the municipal budget, capital expenditure decreased by 15.2%, or 87,348,000 euros in 2024. With the end of the previous EU fund programming period, a significant drop in capital expenditure for EU fund projects<sup>8</sup> has been observed in the municipal budget.

### Annual reporting

When auditing the ACFS 2024, there were significant limitations on scope identified (neither after the inspections performed by certified auditors, nor after appropriate audit procedures performed by the State Audit Office of Latvia, it was possible to determine the exact amount of the necessary corrections), which are attributable to the following parts of the ACFS, on which we are unable to provide an opinion (Table 1):

Table 1

## Limitations on scope in the audit of the ACFS 2024

Thousands of euros

	ASSETS		LIABILITIES		SUB-BALANCE	
	Balance item	Sum on 31 Dec 2024	Balance item	Sum on 31 Dec 2024	Sub-balance item	Sum on 31 Dec 2024
<b>Reports of local and regional governments<sup>9</sup></b>	Long-term investment	584,637,300	–	–	–	–
<b>SRS annual tax report (Ministry of Finance)</b>	Current assets	1,773,610,000	Budget outturn	1,312,345,700	Sub-balance assets	262,372,300
			Liabilities	540,696,600		
Total limitation on scope		<b>2,358,247,300</b>		<b>1,853,042,300</b>		262,372,300
		5.2 % of total assets <sup>10</sup>		4.1 % of total liabilities <sup>11</sup>		30.9 % of total sub-balance assets <sup>12</sup>

Since 2021, the ACFS includes an annual report on taxes by the SRS, and the State Audit Office of Latvia issued a qualified opinion. Major reasons were significant limitations on scope regarding individual balance items included in the SRS annual tax report as of December 31.

The SRS has improved the Accounting functionality of the Payment Administration Information System (hereinafter referred to as PAIS) to ensure the accounting of state budget revenues in accordance with the accrual principle including provision of an important function for retrieving analytical accounting data of accounting accounts in the section “Accounting Controls”. However, based on the conducted audit, the State Audit Office of Latvia also could not obtain sufficient and appropriate audit evidence on the truthfulness and completeness of the information provided in the SRS annual tax report on certain balance items such as “Short-term claims”, “Result of budget outturn” and “Liabilities”, sub-balance assets as well as to determine the amount of necessary corrections in the SRS annual tax report in 2024.

See detailed information in the section of the audit report “[SRS annual tax report](#)”.

### Recommendations

The audit of the ACFS 2024 provided three recommendations in total, one of which to the SRS and two recommendations to the Ministry of Finance (Table 2).

New recommendations for eliminating the identified irregularities in the SRS annual tax report are not provided because a number of recommendations provided during previous audits have not yet been implemented, the implementation of which would also eliminate the irregularities identified in the ACFS 2024. For example, recommendations that the SRS undertook to implement:

- Improve the accounting of taxes, duties and other payments administered by the SRS and attributable to the state budget (including the transfer of data from the Central Customs Information System (hereinafter referred to as the CCIS), in accordance with the development of MAIS gradually;
- Improve the analytics of financial transactions included in the general ledger items in the PAIS functionality “Tax Accounting” and introduce checks to ensure that the year-end



inventory can be carried out in substance by verifying the completeness and accuracy of accounting data;

- Eliminate errors in the accounting data of taxes, fees and other payments administered by the SRS attributable to the state budget. These recommendations are still in the process of implementation, which is also confirmed by the information provided in the audit report.

Table 2

### Recommendations provided in the audit of the Annual Consolidated Financial Statement for 2024

Recommendation
1. Safeguard the correct preparation of the SRS annual tax report, the SRS should improve the information systems related to the annual reporting taking into account the errors, causes and limitations (time, financial and technical, e.g. performance) identified in their operation while also reviewing the possibilities to optimise tax administration processes by informing the Ministry of Finance about this. When evaluating the proposals prepared by the SRS in the context of tax policy development and bureaucracy reduction plans, the Ministry of Finance should encourage the progress of changes in laws and regulations.
For the consolidated <b>annual financial statement to have a unified accounting of all tax revenues</b> and for all tax revenues to be indicated in one place, the Ministry of Finance, in cooperation with the State Revenue Service and the Road Traffic Safety Directorate, shall:
2. Provide that <b>VOT revenues are included in the SRS annual tax report</b> by applying the accrual principle in accounting, taking into account that amendments to the Law on Vehicle Operation Tax and Corporate Light Vehicle Tax entered into force on 1 January 2025, which provides a prerequisite for the introduction of the accrual principle in TEN accounting.
3. Create <b>prerequisites</b> and take appropriate actions <b>for the introduction of the accrual principle in the accounting of CLVT revenues</b> and the inclusion of tax revenues in the SRS annual tax report.

In addition to that, 17 recommendations have still not been implemented since the audit of the ACFS 2015: the SRS has not implemented eight recommendations, the Ministry of Finance has not implemented four recommendations, the Ministry of Climate and Energy<sup>13</sup> has not implemented two recommendations, the Rēzekne City Municipality valstspilsētas has not implemented two recommendations, and the Lotteries and Gambling Supervision Inspectorate has not implemented one recommendation (Table 3)<sup>14</sup>.

Table 3

### Recommendations made in the audits of the ACFS whose implementation is ongoing

Recommendation	Content/ essence of recommendation	The specified / updated implementation deadline
<b>2015</b>		
In its audit of the revenue part of the ACFS 2013 on the outturn of the state budget and municipal budgets of the Republic of Latvia, the State Audit Office of Latvia has issued a recommendation regarding the identified irregularities to ensure the presentation of tax revenue according to the accrual principle and to determine the process of administering fees in laws and regulations. The Ministry of Finance had committed to implementing the recommendation by 15 January 2021.	<b>Accrual principle</b> for taxes and duties	02.01.2026
<b>2016</b>		
To provide for rational, environmentally friendly and sustainable use of mineral resources, the Ministry of Economics, in cooperation with the Ministry of Environmental Protection and Regional Development, were recommended to initiate amendments to laws and regulations by granting additional rights to controlling institutions and determining the procedure for controlling, suspending	<b>Violations</b> related to <b>hydrocarbon exploration and production</b>	01.04.2026

Recommendation	Content/ essence of recommendation	The specified / updated implementation deadline
and cancelling licenses, in order to ensure timely and prompt response to violations related to hydrocarbon exploration and extraction. <i>(from 1 January 2023, the recommendation must be implemented by the Ministry of Climate and Energy)</i>		
To provide for rational, environmentally friendly and sustainable use of mineral resources, the Ministry of Economics, in cooperation with the Ministry of Environmental Protection and Regional Development, shall assess the possibility of determining payments in the state and/or municipal budget for the volumes of hydrocarbons extracted throughout the territory of Latvia, regardless of ownership. <i>(from 1 January 2023, the recommendation must be implemented by the Ministry of Climate and Energy)</i>	<b>Payments for the volumes of hydrocarbons produced</b>	01.04.2026
<b>2018</b>		
The Ministry of Finance shall improve the legal framework for the supervision of the organization of interactive gambling and lotteries by establishing uniform principles for accounting for revenues and expenses of interactive gambling and evaluating the possibility of reducing the administrative burden on taxpayers, including not requesting information from economic operators that is not used for control purposes.	<b>Legal framework for organizing interactive gambling and lotteries</b>	02.01.2026
The Lottery and Gambling Supervision Inspectorate shall establish internal procedures for the control and supervision of the organization of interactive gambling and lotteries in order to ensure that control of the relevant area is carried out systematically and based on uniform requirements.	<b>Control and supervision of the organization of interactive gambling and lotteries</b>	02.01.2026
<b>2020</b>		
To comply with the deadline for refunding overpaid VAT set out in Section 109, Part One of the Value Added Tax Law, which is within 30 days after the date of submission of the tax return, the State Revenue Service shall improve the PAIS by ensuring control over the refund of the approved overpaid VAT amount within the deadline.	<b>Refund of overpaid VAT</b>	02.01.2026
<b>2021</b>		
The State Revenue Service shall eliminate errors in the accounting data of taxes, fees and other payments administered by the SRS and attributable to the state budget for 2021, so that the comparative information for the previous reporting period in the SRS annual tax report for 2022 is correct and complete.	<b>Error correction in the SRS annual tax report</b>	<b>The recommendation is closed</b> because a new audit recommendation has been formulated during this audit, which replaces the formulated and unimplemented audit recommendations.
The State Revenue Service shall improve the traceability of financial transactions included in the “Tax Accounting” items in the PAIS functionality, the built-in accounting control solutions, or apply other options using the data at the SRS’s disposal to ensure that the year-end inventory can be carried out in substance by verifying the completeness and accuracy of accounting data.	<b>Financial transaction traceability for inventory purposes</b>	
<b>2022</b>		
To strengthen a customer-oriented approach, the State Revenue Service shall take measures to inform taxpayers about long-term, unused, non-attributed contributions made to the single tax account.	<b>Informing taxpayers about non-eligible contributions made</b>	<b>The recommendation is closed</b> because a new audit recommendation has been formulated during this audit, which replaces the formulated and unimplemented audit recommendations.
The State Revenue Service shall safeguard the monitoring of the tax overpaid by taxpayers and the cancellation of tax overpayments to be fully or partially credited to the state budget and payment amounts incorrectly paid into the single tax account within the deadlines specified in the law.	<b>Deletion of tax overpayments and incorrectly paid payments</b>	



Recommendation	Content/ essence of recommendation	The specified / updated implementation deadline
<b>2023</b>		
For the amounts of claims included in the SRS annual tax report to be correctly assessed by ensuring that the calculated reduction in the value of claims in the amount of doubtful amounts is reliable, accurate and corresponds to the amount of claims indicated in the SRS accounting records, the State Revenue Service shall develop control procedures that would ensure the completeness and existence of claims indicated in the accounting records (PAIS).	<b>Correct assessment of the amounts of claims</b> included in the SRS annual tax report	<b>The recommendation is closed</b> because a new audit recommendation has been formulated during this audit, which replaces the formulated and unimplemented audit recommendations.
For the balance sheet item "Receivables" and the sub-balance sheet to present complete, true and traceable information about the process of contesting SRS decisions on taxes, fees and other payments, the State Revenue Service shall ensure that complete information about them is compiled together.	<b>Information on contesting SRS decisions</b>	
To streamline the accounting process and improve the reliability of ledger information, the State Revenue Service shall improve the EDS by introducing data entry control over withheld taxes against reported income.	<b>Data entry control in EDS</b>	Recognized as <b>IMPLEMENTED</b> during the audit
To ensure the presentation of true, comparable, timely, significant, understandable and complete information in the consolidated monthly, quarterly and annual reports of a local or regional government, the local or regional government concerned shall improve accounting control, namely, evaluate accounting processes and their irregularities, identify the reasons for the occurrence of inconsistencies, introduce control measures, including determining the persons responsible for the processes and the scope of their rights, obligations and responsibilities.	<b>Accounting control</b> in the Rēzekne City Municipality	01.06.2026
To improve the management of the budget and financial management system and ensure the transparency of financial processes, the Rēzekne City Municipality shall evaluate the possibility of centralising the municipal accounting function.	<b>Centralisation of accounting functions</b> in the Rēzekne City Municipality	01.06.2026
To comply with the precautionary principle, namely, so that the amount of revenue or liabilities to be reduced is not underestimated, as well as to comply with the principle of consistency in accounting in the recording of short-term accrued liabilities, the State Revenue Service shall find a way to record all calculated taxes refundable from the state budget in the first or revised justification document of the taxation period, for which the submission deadline has not yet arrived until the closing date of the previous reporting period.	<b>Recording refundable taxes</b>	02.01.2026
To provide for useful, uniform and timely information for making budget allocation decisions, the Ministry of Finance, in cooperation with the State Chancellery, shall streamline the process of managing the objectives and results of the use of funding by budget institutions.	<b>The process of managing the objectives and results</b> of the use of funding	02.01.2027 02.01.2028 02.01.2030

### Irregularities and errors corrected during the audit

In the financial audits of the ministries and central government institutions, discovered errors for the total value **262,478,600** euros, or 96 % of the detected errors have been corrected.

## References

- <sup>1</sup> Article 27 of Cabinet Regulation No 652 “Procedure for drafting an annual report” of 28 September 2021.
- <sup>2</sup> Article 14 of Cabinet Regulation No 652 “Procedure for drafting an annual report” of 28 September 2021.
- <sup>3</sup> Annex to the Law on Administrative Territories and Settlements.
- <sup>4</sup> Article 15 of Cabinet Regulation No 652 “Procedure for drafting an annual report” of 28 September 2021.
- <sup>5</sup> Volume No 1 of the Annual Consolidated Financial Statement for 2024.
- <sup>6</sup> Volume No 1 of the Annual Consolidated Financial Statement for 2024.
- <sup>7</sup> Volume No 1 of the Annual Consolidated Financial Statement for 2024.
- <sup>8</sup> Volume No 1 of the Annual Consolidated Financial Statement for 2024.
- <sup>9</sup> Jelgava, Liepāja City Municipalities, Ogre, Ropaži, Līvāni and Talsi Regional Governments.
- <sup>10</sup> The Consolidated Accounting Balance Sheet of the State, balance sheet value is 45,062,177,500 euros.
- <sup>11</sup> The Consolidated Accounting Balance Sheet of the State, balance sheet value is 45,062,177,500 euros.
- <sup>12</sup> The Consolidated Accounting Balance Sheet of the State, sub-balance asset value is 849 385,800 euros.
- <sup>13</sup> The recommendation was issued to the Ministry of Economics in cooperation with the Ministry of Environmental Protection and Regional Development (until 31 December 2022) and the Ministry of Climate and Energy (from 1 January 2023) in the financial audit “The Annual Consolidated Financial Statement for 2016 of the Republic of Latvia on the outturn of the state budget and municipal budgets”.
- <sup>14</sup> Number of recommendations to be implemented as of 1 July 2025.