



2021 Public Annual Report of the State Audit Office of the Republic of Latvia

Riga 2022

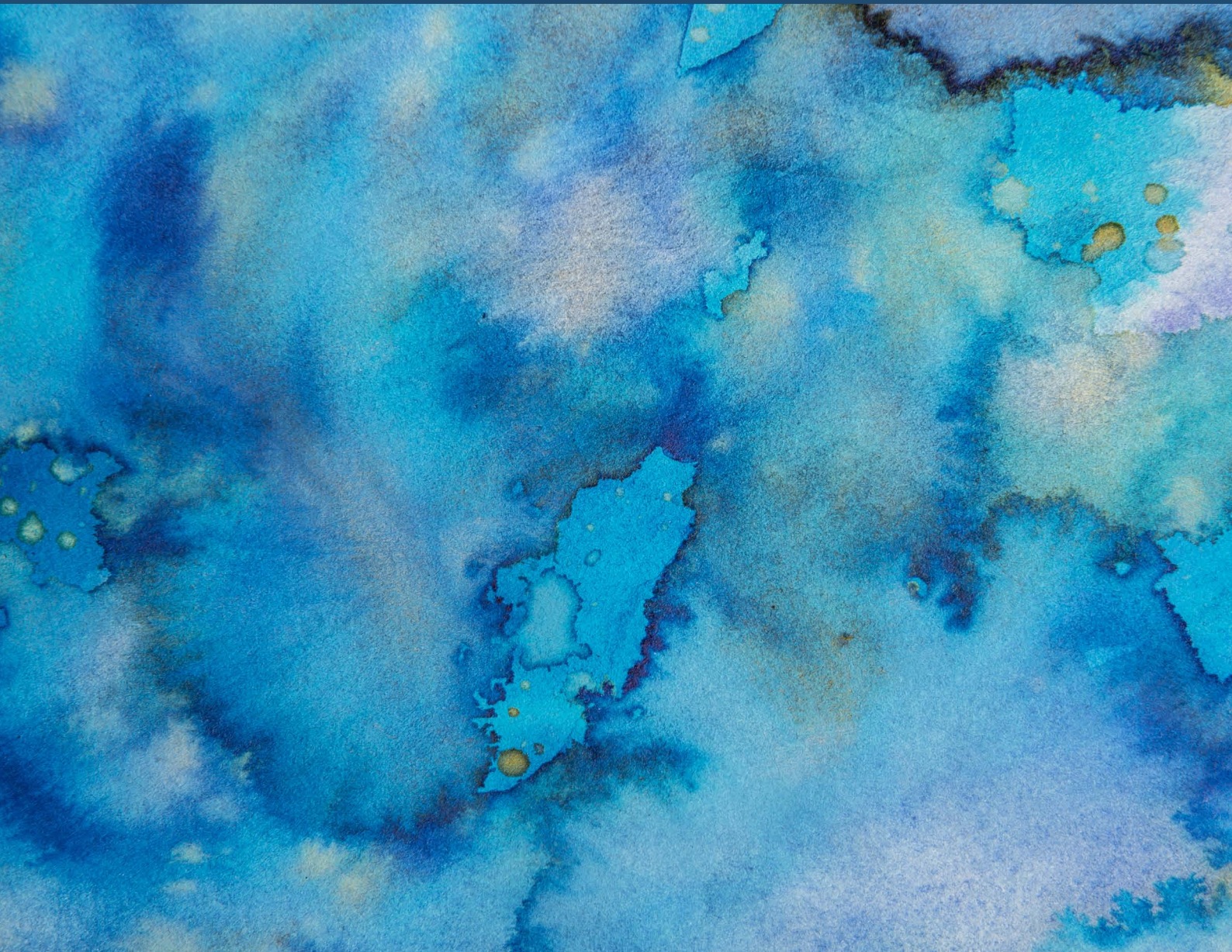


State Audit Office
Republic of Latvia

ACCOUNTABILITY

COOPERATION

DEVELOPMENT



2021 Public Annual Report of the State Audit Office of the Republic of Latvia

The report uses photos from the website www.depositphotos.com and from the personal archives of employees. The photographs included in the report from the venues have been taken in accordance with the epidemiological safety requirements in force the date the photos were taken.

Table of Contents

Address by the Auditor General.....	4
-------------------------------------	---

1 **Performance Results of the State Audit Office.....6**

1.1. Operational framework of the State Audit Office in the reported period....	7
1.2. Key goals achieved	8
1.2.1. Key goals achieved in 2021.....	8
1.2.2. Period of the Strategy of the State Audit Office 2018-2021.....	9
1.2.3. New Strategy	10
1.3. Structure.....	11
1.4. Human Resources.....	16
1.5. Results of public sector auditing.....	18
1.5.1. Results of financial audits	18
1.5.2. Results of performance, compliance, and combined audits.....	26
1.5.3. Implementation of audit recommendations.....	32
1.5.4. Examination of irregularities identified during audits.....	36
1.6. Auditing organisation and support processes.....	39
1.7. Quality management and internal control system.....	41

2 **International cooperation.....43**

2.1. International activities.....	44
2.2. International projects.....	47

3 **Communication of the State Audit Office.....49**

3.1. Public relations.....	50
3.2. Cooperation with the population, the Saeima, and other organisations..	51

4 **Financial resources and priorities.....53**

4.1. Financial resources.....	54
4.2. Priorities for the next year.....	55

Dear Reader,

The year 2021 marked the final year of the strategy of the State Audit Office which was operational from 2018. This year, we assessed the progress made and set new goals for the next four years. Thus, this annual report is the last to be reporting on the 2018-2021 strategy and therefore it includes information on the key achievements of the last four years.

As in the daily life of almost every institution, enterprise or individual, the last two years have brought significant changes in the State Audit Office as well - plans, audit priorities and the way we work and adapt to the changes brought about as a result of remote work. Despite challenges, we have succeeded in achieving the goals set out in the strategy which provides a good basis to plan further growth and development. In the Strategy 2022-2025, we have set a goal to further promote the efficient and meaningful use of public funds that bring the greatest possible benefits to the public and to foster public confidence in the public sector by strengthening accountability and public integrity through audit work. We invite those interested to get acquainted with the Strategy of the State Audit Office [on our website.](#)



In 2021, we continued to assess the spending of the substantial funds allocated to curb the COVID-19 crisis, completing the assessment of the funds spent in 2020 and launching checks on the 2021 allocations. In two years, the Republic of Latvia has spent almost 3 billion euros to overcome the COVID-19 crisis. The task of the State Audit Office was to make sure that these funds were used legally and in accordance with the intended purposes. At the same time, we set a goal for ourselves to assist institutions in preventing errors and irregularities, so that the resources provided for overcoming the crisis would allow the best possible support to the public, economy, and healthcare system.

Significant performance and compliance audits were performed during the reporting period. In the social sector, I would like to highlight the audit on the challenges of educating children with special needs. The audit of the condition of bridges owned by local and regional governments provoked a rapid and solution-oriented response. An audit of the public sector's preparedness to address the risks of money laundering and breaches of sanctions has been particularly timely. Each of the compliance and performance audits conducted during the reporting period - both assessing the success of the public administration reform plan and the need for concluding the land reform, as well as shortcomings in the implementation of scientific projects and others - makes a significant contribution to improving public administration and thus benefits the public.

To facilitate accountability in public administration, last year we began to apply the provision on loss recovery adopted in the State Audit Office Law by initiating the first four recovery cases against officials. In cases of violations identified during audits, several administrative, disciplinary, and criminal cases have been initiated following the submissions of the State Audit Office.

We have continued to be active in international cooperation. Based on our experience, we provided support to colleagues in Ukraine, Georgia, Moldova, Uzbekistan and elsewhere. In 2021, we continued to work actively on the Governing Board of the European Organization of Supreme Audit Institutions (EUROSAI),

as well as strengthened co-operation among the Baltic Supreme Audit Institutions. Four audits of the State Audit Office on the management of municipal real estate are included in the EUROSAI compilation as examples of good practice and experience in improving public finance management. Last year, the State Audit Office, representing EUROSAI, organized and chaired a panel discussion of audit institutions at the UN Climate Change Conference for the first time in EUROSAI history. During the panel discussion, audit institutions from several countries shared their audit experiences on how to tackle climate change with available public funds more effectively.

To conclude, I would like to thank our closest partners for their cooperation. Firstly, the audited entities for constructive cooperation in the framework of audits. We thank the Saeima Public Expenditure and Audit Committee and the Saeima in general for their cooperation. This year was the first time that the Auditor General addressed the Parliament directly with a report on results. We also thank other state institutions for their support in matters of their competence such as the Competition Council, the Procurement Monitoring Bureau, the State Construction Control Bureau, and others as well as law enforcement institutions, non-governmental sector organizations and the Public Council of the State Audit Office for their contribution to the implementation of the goals of the State Audit Office.

Special thanks to every employee of the State Audit Office for their great dedication and contribution to achieving the results reflected in this report.

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

Riga, May 2022





PERFORMANCE RESULTS OF THE STATE AUDIT OFFICE

- 1.1. Operational framework of the State Audit Office in the reported period
- 1.2. Key goals achieved
 - 1.2.1. Key goals achieved in 2021
 - 1.2.2. Period of the Strategy of the State Audit Office 2018-2021
 - 1.2.3. New Strategy
- 1.3. Structure
- 1.4. Human Resources
- 1.5. Results of public sector auditing
 - 1.5.1. Results of financial audits
 - 1.5.2. Results of performance, compliance, and combined audits
 - 1.5.3. Implementation of audit recommendations
 - 1.5.4. Examination of irregularities identified during audits
- 1.6. Auditing organisation and support processes
- 1.7. Quality management and internal control system

1.1. Operational framework of the State Audit Office in the reporting period



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

Strategy of the State Audit Office of the Republic of Latvia 2018–2021.

Goal I. The State Audit Office is recognised by the public as the representative of its interests and by strengthening good public-sector governance, makes a difference to the lives of the citizens and facilitates trust of society in public administration.

Goal II. The State Audit Office operates economically, efficiently, and effectively, and in a sustainable manner.



Mission:

We exist to promote the responsible spending of taxes paid, open decision-making, and the high-quality of public administration. We facilitate “EEE” use of taxpayers’ money, transparent decision-making, and quality work of public sector institutions.



Vision:

We have contributed to the trust of society in public service. Through our work, we have fostered public confidence in public administration.



Values:
















Accountability. Transparency. Development.



The main objective of the State Audit Office

is [...] to see whether the state property is handled legally, efficiently, and correctly, thus preventing wrongdoing and negligence as much as possible before they occur and pursuing already committed violations [...].¹

Legal framework and scope of powers

-  [Sections 87 and 88 of the Satversme \(Constitution\) of the Republic of Latvia](#)  Read more...
-  [The State Audit Office Law](#)  Read more...
-  [The Law on Audit Services](#)  Read more...
-  [The Law on Budget and Financial Management](#)  Read more...
-  [The Law on Remuneration of Officials and Employees of State and Municipal Institutions](#)  Read more...
-  [INTOSAI \(International Organization of Supreme Audit Institutions\) standards](#)  Read more...
-  [UN Resolutions](#)  Read more...
-  [The Statutes of the State Audit Office and other internal regulations of the State Audit Office](#)

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

1.2. Key goals achieved

1.2.1. Key goals achieved in 2021

Strengthened capacity for compliance and performance audits.

69 % of the total resources spent on audits of all types² were devoted to compliance and performance audits.

[Read more...](#)

[Read more...](#)

Increase in the scope of compliance issues assessed in financial audits.

96 opinions on compliance issues/ key audit matters.

[Read more...](#)

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

93% of the 1.02 billion euros actually spent on curbing the COVID-19 and crisis management were audited.

[Read more...](#)

Expansion of the scope of local and regional government audits.

The audits covered **68 local and regional governments**³ (including cities).

[Read more...](#)

Enhancement of the added value of the work of the State Audit Office.

All types of audits provided **305 recommendations** to address the irregularities identified.

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

The audited entities have acted to implement **92.8% of the recommendations**⁴.

[Read more...](#)

The right to recover damages has been exercised.

Four proceedings initiated to recover damages caused by an illegal action identified during an audit.

[Read more...](#)

Supreme audit institutions participate in the UN Climate Change Conference for the first time.

The State Audit Office of the Republic of Latvia was an initiator, organiser, and moderator of the panel discussion.

[Read more...](#)

Strengthened position in the labour market.

Letter of Recognition as one of the Employers of Choice in Latvia in 2021⁵.

[Read more...](#)

New lines of action defined for the next four years.

The new Strategy of the State Audit Office 2022–2025 has been elaborated.

[Read more...](#)

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

³ Number before the administrative and territorial reform.

⁴ Recommendations to be implemented in 2021, regardless of the year of the recommendations.

⁵ "TNS Latvia" LTD (Kantar) research – among top 15 Employers of Choice.

1.2.2. Period of the Strategy of the State Audit Office 2018-2021. [Read more...](#)

2021 was the last year to implement the Strategy of the State Audit Office 2018–2021.

In 2021, one of the tasks was to assess the implementation of the previous period's strategy when drafting the next strategy. Below is an overview of the achievements of the strategy over the four-year period:

14 performance,
13 compliance and
34 combined
(compliance/ performance)
audits,
1 investigation,
1 interim report and
29 interim reports/
case studies
completed on the public
spending to curb and
mitigate the COVID-19
crisis.

Financial audits provided
232 opinions and/
or other assessments
on compliance issues/
horizontal/ key audit
matters.

Audits in local and regional
governments covered
117 local and regional
governments in total
(including cities),
of which **89 local and**
regional governments
(including cities) were audited
within the framework of more
than one audit.

Implementation the
recommendations secured a
financial return of at least
4 euros per euro invested
in the State Audit
Office.

After the audits, the audited
entities implemented **1,550**
recommendations.

Sessions of Saeima
Committees were
attended **254 times**,
of which **199** meetings
of the Saeima Public
Expenditure and Audit
Committee
and **55** meetings of other
Saeima Committees/
Sub-Committees.

Two vocational further
training curricula⁶ for public
sector auditors/ auditors
have been licensed.
37 individuals received
a certificate for financial
auditing
and **19 individuals**
received a certificate for
performance auditing.

The SAO reported on
27 infringements found
during audits for assessment
of potential criminal offences to
the Prosecutor's Office. Nine
convictions have entered
into force.

The State Audit Office
is represented in the
management structures of
international organizations -
INTOSAI and **EUROSAI**

⁶ In cooperation with the Stockholm School of Economics in Riga.

1.2.3. New strategy

Strategy of the State Audit Office of the Republic of Latvia 2022–2025 [Read more...](#)

[..] The Strategy of the State Audit Office should not only be perceived as a framework for the operation of one audit institution for a period of four years, because the public trust in the public administration depends directly on our audits, conclusions thereof and, most importantly, recommendations and implementation after the audit. That is the highest purpose of our work. [..]⁷

A management group and nine working groups were set up to develop the Strategy. All employees of the State Audit Office were involved in the elaboration of the Strategy, inviting them to participate in surveys and focus group discussions on the results of the previous Strategy, as well as on the formulation of the existing and new mission, vision, and values of the State Audit Office. While drafting the Strategy, the current situation was assessed in accordance with the international Performance Measurement Framework of supreme audit institutions⁸, a self-assessment of the State Audit Office's performance and work organization in eight areas and a risk assessment of the operation of the institution were carried out, and deliberations were organised in groups with both the employees and the representatives of the Public Council of the State Audit Office.



Mission.

We are the watchdog of public resources and make sure they serve the common good.



Vision.

Our audits have contributed significantly to the social welfare and the sustainable development of the country.



Values.

Accountability. Cooperation. Development.

⁷ Discussion "How can the State Audit Office provide the greatest possible public benefit?" [Read more...](#)

⁸ Performance Measurement Framework. IDI PMF – INTOSAI Development Initiative Performance Measurement Framework.

1.3. Structure

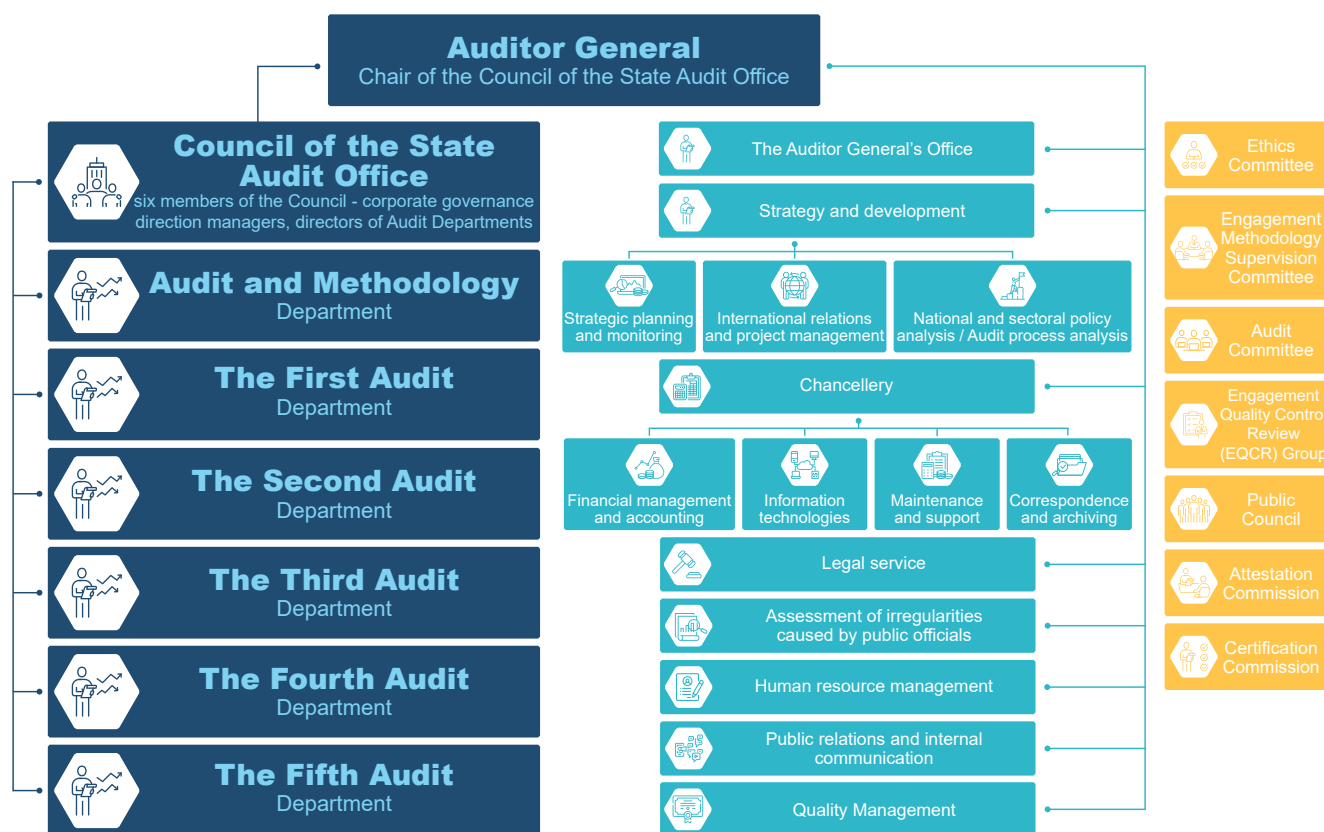


Figure 1. Structure of the State Audit Office.

At the beginning of 2021, the term of office of former Auditor General Elita Krūmiņa ended. On 14 January 2021, the Saeima confirmed Rolands Irklis as the Auditor General, who took up the position of the Auditor General on 28 January 2021 after taking the oath of office.

During the reported year, there were changes in the Council of the State Audit Office. In the first half of 2021, the second term of office of two council members, Inga Vārava and Ilze Grīnhofa, expired. A recruitment process was launched for two positions of the Council of the State Audit Office. The Saeima approved Maija Āboliņa as a Member of the Council of the State Audit Office on 6 May 2021 and Ilze Bādere on 13 May 2021 (effective 20 May 2021). Upon approval of the new Members of the Council, the Council of the State Audit Office consists of Inese Kalvāne, Kristīne Jaunzeme, Maija Āboliņa, Inga Vilka, Edgars Korčagins and Ilze Bādere.

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

The support personnel of the SAO covers: strategic planning, supervision and analysis; analysis of economic and public sector development; 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 secretariat functions.



Figure 2.

The team of the State Audit Office in August 2021 at the Eduards Smilģis Theatre Museum. The only face-to-face meeting of the team in 2021.

The First Audit Department



Inese Kalvāne

Member of the Council of the State Audit Office since 8 September 2016
Director of the First Audit Department
Lead of the corporate governance topic
"IT Development/ innovation"

The First Sector

Head of Sector
Sandra Zunde
Nine employees

Ministry of Foreign Affairs

Budget – 68.39 MEUR.

Ministry of Education and Science

Budget – 828.33 MEUR⁹;
Subordinate bodies – 47 institutions.
Shareholder in 5 state-owned enterprises

National Electronic Mass Media Council

Budget – 29.26 MEUR.

Public Electronic Mass Media Council

Budget – 11.64 MEUR.
Shareholder in 2 state-owned enterprises

The Second Sector

Head of Sector
Larisa Reine
Seven employees

Ministry of Economics

Budget – 145.19 MEUR.
Subordinate bodies – 6 institutions.
Shareholder in 7 state-owned enterprises

Ministry of Transport

Budget – 583.72 MEUR.
Subordinate bodies – 4 institutions.
Shareholder in 13 state-owned enterprises

Public Utilities Commission

Budget – 5.28 MEUR

The Second Audit Department



Kristīne Jaunzeme

Member of the Council of the State Audit Office from 20 May 2021¹⁰
Director of the Second Audit Department¹¹
Lead of the corporate governance topic "Human Capital Development / Internal Communication and Cooperation"

The First Sector

Head of Sector
Iveta Ozoliņa
Seven employees

Ministry of Defence

Budget – 719.57 MEUR.
Subordinate bodies – 7 institutions and the National Armed Forces

Corruption Prevention and Combating Bureau

Budget – 12.63 MEUR

The Second Sector

Head of Sector
Kaiva Skalbiņa
Seven employees

Ministry of the Interior

Budget – 437.21 MEUR.
Subordinate bodies – 9 institutions.
Shareholder in 1 state-owned enterprise

Prosecutor's Office of the Republic of Latvia

Budget – 37.65 MEUR

The Third Sector

Head of Sector
Aelita Jaunroze
Five employees

Ministry of Justice

Budget – 277.56 MEUR.
Subordinate bodies – 12 institutions.
Shareholder in 2 state-owned enterprises

Supreme Court of the Republic of Latvia

Budget – 6.36 MEUR

Constitutional Court of the Republic of Latvia

Budget – 3.03 MEUR

Note: Financial information from: "Operational report. Execution of the revenue and expenditure of the basic budget of the Ministry in 12 months of 2021 (expenditure - total)". [Read more...](#)

Number of staff and officials in audit departments, including long-term absentees as of 31 December 2021.

⁹ Including budget department "62. Targeted grants to local and regional governments".

¹⁰ From 18 May 2020 to 19 May 2021, Member of the State Audit Office, Director of the Audit and Methodology Department.

¹¹ Until 19 May 2021, Ilze Grīnhofa was the Director of the Second Audit Department.

The Third Audit Department



Maija Āboliņa

Since 6 May 2021,
Member of the Council of the State Audit Office
Director of the Third Audit Department¹²
Lead of the corporate governance topic "Governance
of Implementation of Audit Recommendations"

The First Sector

Head of Sector
Ieva Pīpiķe
Six employees

Ministry of Welfare

Basic budget – 1.19 BEUR.
Special budget – 3.41 BEUR.
Subordinate bodies – 11 institutions.
Shareholder in 1 state-owned
enterprise

The Second Sector

Head of Sector
Before 2 Sep 2021, Acting Head
Sandra Batalova
Since 3 Sep 2021, Līga Pūre
Four employees

Ministry of Health

Budget – 1.90 BEUR. Subordinate
bodies – 10 institutions.
Shareholder in 13 state-owned
enterprises

The Third Sector

Head of Sector
Linda Freidenfelde-Purgaile
Two employees

Audits on compliance of certain transactions with the statutory requirements

(Audits for rapid response to
current events in the country)

The Fourth Audit Department



Inga Vilka

Member of the Council of the State Audit Office
since 26 March 2019
Director of the Fourth Audit Department
Lead of the corporate governance topic "Internal Control System/ Quality
Management System/ Supervision of the Performance of the State Audit Office"

The First Sector

Head of Sector
Uldis Kalniņš
Seven employees

Ministry of Agriculture

Budget – 639.98 MEUR.
Subordinate bodies –
9 institutions.
Shareholder in 5 state-
owned enterprises

Ombudsman

Budget – 1.75 MEUR

Central Land Commission¹³

Budget – 80,740 euros

The Second Sector

Head of Sector
Aija Feldmane
Six employees

Ministry of Environmental Protection and Regional Development

Budget – 138.57 MEUR.
Subordinate bodies – 7 institutions.
Shareholder in 3 state-owned
enterprises.
Supervision – 5 programming regions

Cabinet of Ministers

Budget – 14.14 MEUR.
The State Chancellery and the State
Administration School

Cross-Sectoral Coordination Centre

Budget – 1.35 MEUR

The Third Sector

Head of Sector
Natalja Mihailova
Eight employees

Ministry of Finance

Budget – 1.91 BEUR.
Subordinate bodies – 5 institutions.
Fiscal Discipline Council.
Shareholder in 5 state-owned enterprises

Ministry of Culture

Budget – 229.70 MEUR.
Subordinate bodies – 28 institutions.
the State Culture Capital Foundation.
Shareholder in 15 state-owned enterprises

Chancery of the President of Latvia

Budget – 5.24 MEUR

Note: Financial information from:

"Operational report. Execution of the revenue and expenditure of the basic budget of the Ministry in 12 months of 2021 (expenditure - total)". [Read more...](#)

"Operational report. Execution of revenue and expenditure of the special budget in 12 months of 2021 (expenditure - total)". [Read more...](#)

Number of staff and officials in audit departments, including long-term absentees as of 31 December 2021.

¹² Until 19 February 2021, Inga Vārava was the Director of the Third Audit Department.

¹³ The Central Land Commission ceased to exist on 30 June 2021. [Read more...](#)

The Fifth Audit Department



Edgars Korčagins

Member of the Council of the State Audit Office
since 21 December 2015

Director of the Fifth Audit Department

Lead of the corporate governance topic "Work environment, including optimization of premises, flexible working hours and well-being/ sustainability/ greening / the centenary of the State Audit Office"

The First Sector

Head of Sector

Before 17 Nov 2021, Jānis Lielkalns

Since 22 Nov 2021, Acting Head

Oskars Erdmanis

Six employees

The Second Sector

Head of Sector

Elita Andruce

Five employees

Social Integration Foundation

Budget – 19.95 MEUR

The Third Sector

Head of Sector

Oskars Erdmanis

Five employees

Local and regional governments, municipal institutions and agencies, municipal enterprises, derived legal entities of public law

119 local and regional governments.

More than 2,640 institutions.

59 agencies.

More than 43 municipal enterprises

Audit and Methodology Department



Ilze Bādere

Member of the Council of the State Audit Office
since 20 May 2021

Director of the Audit and Methodology Department¹⁴

Lead of the corporate governance topic
"Development of Auditing"

The First Sector

Head of Sector

Before 19 May 2021, Ilze Bādere

Since 25 May 2021, Acting Head Dzintra Tripane

Twelve employees

Annual Consolidated Financial Statement of the Republic of Latvia on the Outturn of the State Budget and the Municipal Budgets

Consolidated general budget outturn – 14.4 BEUR

Central Election Commission

Budget – 2.17 MEUR

Audit methodology, ensuring the exchange of staff experience and training of partner organisations

Quality control of closed audits (cold review)

The Second Sector

Head of Sector

Ingrīda Kaliņa-Junga

Six employees

Audits in the area of ICT and e-government implementation

IS audit in financial audits and evaluation of ICT performance

IS audit methodology,

large-scale data analysis,

staff support in the use of audit support tools

Note: Financial information from: "Operational report. Execution of the revenue and expenditure of the basic budget of the Ministry in 12 months of 2021 (expenditure - total)". [Read more...](#)

"Operational report. Execution of revenue and expenditure of the special budget in 12 months of 2021 (expenditure - total)". [Read more...](#)

Number of staff and officials in audit departments, including long-term absentees as of 31 December 2021.

¹⁴ Until 19 May 2021, Kristīne Jaunzeme was the Director of the Audit and Methodology Department.

1.4. Human resources

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

Letter of Recognition to the State Audit Office, becoming one of the Employers of Choice in Latvia 2021.¹⁵



At the end of the reporting period, the State Audit Office had

180
staff positions

165
employed
employees and
officials¹⁶

124
were auditors

138
for audit functions

42
for support functions

41
were support staff

97,6%
of employees (including officials)
have higher education, including

Distribution
of employees
and officials by
gender groups

79,4%
women

74,5%
holding a master's degree

2,4%
a doctoral degree

20,6%
men

Employment
relations with
the State
Audit Office:

18 employees started working for SAO

22 employees terminated employment

Staff
turnover rate
13,1%

Average number
of years of service
8
years

Distribution
of employees
and officials
by age
groups:

20–29
4,8%

40–49
29,7%

30–39
38,8%

50–59
23,1%

60 and over
3,6%

Average age of
employees is
43
years

¹⁵ "TNS Latvia" LTD (Kantar) research – among top 15 Employers of Choice.

¹⁶ Including long-term absentees.

Increasing the professional competence of employees

Participation in
199
professional
development
activities in total

of which **150**
are individual
(with up to 8 participants)

and **49**
are group activities

There were 39 training sessions conducted by in-house trainers on topics such as the management of audit recommendations and the impact of results, budget management, key aspects of the functioning of supreme audit institutions, key public sector issues, financial auditing, performance auditing, issues regarding code of conduct, etc.

Training by external trainers was provided on topics such as good governance in the public sector, budget management, development system planning, prevention of conflicts of interest and professional ethics of public officials, protection of personal data, administrative liability in public procurement, procurement and contracts for the implementation of projects funded by the EU, management of public funds and property, security of information systems, modern presentation skills, etc.

Attracting new professionals [Read more...](#)



Participation in the Career Day event organized by the BA School of Business and Finance. [Read more...](#)

Job Shadow Day organised by the State Audit Office in form of online tours of the audit profession. [Read more...](#)

Meeting with students of the study program “Law” from the Riga Stradins University. Insight into the work of the State Audit Office, answers to questions about the role and tasks of the State Audit Office, information about audits and, most importantly, the implementation of audit recommendations.

Three internships organized for students of the BA School of Business and Finance.

Elaboration of the “Procedure for Selection of a Candidate for the Position of a Member of the Council of the State Audit Office”. Information on the recruitment for two positions of the Member of the State Audit Office was announced. [Read more...](#)

The Commission for selecting candidates for the Members of the Council of the State Audit Office consists of the Auditor General and Members of the Council of the State Audit Office, as well as at least two representatives of non-governmental organizations and/or the Public Council of the State Audit Office as observers. The Saeima confirmed Maija Āboliņa and Ilze Bādere as Members of the Council of the State Audit Office. [Read more...](#)

[Read more...](#)

Auditor certification

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

According to the State Audit Office Law¹⁷, in 2023 a provision will come into force which states that an individual holding the position of a Head of Sector of an Audit Department or leading an audit group as a Head of Sector or an auditor must have obtained a certificate¹⁸ for public sector auditing.

Since the certification of Heads of Sectors and auditors has started, a total of 37¹⁹ individuals have been certified to perform financial audits and 19 to perform performance audits. [Read more...](#)

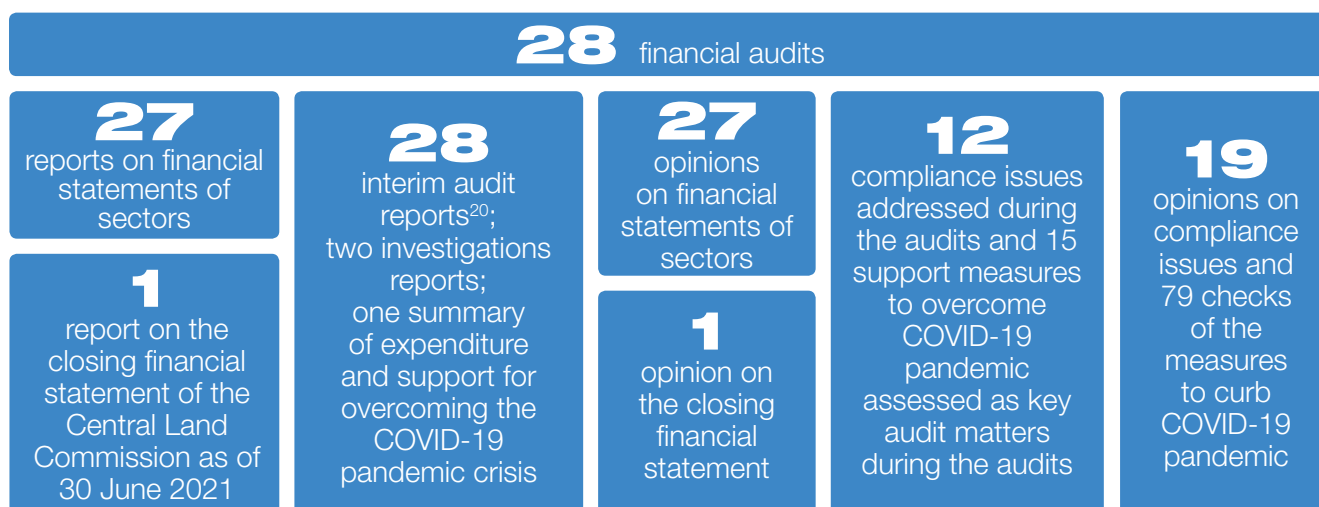
¹⁷ State Audit Office Law. [Read more...](#)

¹⁸ In cooperation with the Stockholm School of Economics in Riga, the State Audit Office developed two vocational further training curricula for public sector auditors, licensed by the State Education Quality Service - Financial Audit in the Public Sector (license No P-16532) and Performance Audit in the Public Sector (license No P-16732). [Read more...](#)

¹⁹ As of 31 December 2021, there were 34 employees certified to perform financial audits and 17 employees certified to perform performance audits at the State Audit Office.

1.5. Results of Public Sector Auditing

1.5.1. Results of financial audits



About financial audits

Financial audits are looking for an answer to the question: Are the financial statements drafted according to the laws and regulations and do they provide clear and credible information on the financial position and performance of the institutions?

The State Audit Office provides opinions on the accuracy of annual financial statements of ministries and other central state institutions (altogether called- sectors) every year, as well as an opinion on the annual consolidated financial statement (ACFSS) of the Republic of Latvia on the outturn of the state budget and municipal budgets.

The ACFSS combines the annual financial statements of ministries, central state institutions, local and regional governments, the state budget financial accounting reports, and reports on taxes, duties, and other payments applicable to the state budget administered by the State Revenue Service. The ACFSS reflects the financial position of the state and the financial performance indicators during the financial year.

Compliance issue: assessment of the compliance of measures, activities, transactions, or actions with laws and regulations, planning documents, nationally (or internationally) accepted practices and sectoral standards and provision of recommendations.

A key audit matter is a matter that, in the professional judgment of an auditor, is a significant matter in the context of the audit of the current period's financial statements, which is reported to the management of the audited entity and to which the auditor has paid close attention. There is no separate opinion on the key audit matters issued. The key audit matter is determined according to the International Standard on Auditing (ISA) 701, Communicating key audit matters in the independent auditor's report. The International Organization of Supreme Audit Institutions (INTOSAI) also uses International Standards on Auditing for financial auditing, and they are binding on the State Audit Office, which performs audits under international public sector auditing standards, in accordance with Section 1, Paragraph three of the State Audit Office Law.

Checks on the additional funds allocated to limit the spread of COVID-19 and to mitigate the consequences of the emergency are performed by assessing the requests for financial resources and their justification, as well as the compliance of the actual spending with the purpose of the grant.

An investigations report is a compilation of facts on issues relevant to society which is prepared as soon as possible, without drawing conclusions or making recommendations.

An interim audit report is drafted when an audit reveals significant deficiencies that require a quick response before the audit is completed, for example, before the annual financial statement is prepared.

²⁰ Information on 25 interim audit reports, 2 investigations and a summary of expenditure and support for overcoming the crisis caused by the COVID-19 pandemic, as well as on the interim audit report "Has the defence sector managed the property located at 11 Krustabaznīcas iela in the public's interests?" is included in the 2020 Annual Report of the State Audit Office of the Republic of Latvia. [Read more...](#)

Results of financial audits on the accuracy of the 2020 annual financial statement in ministries and central state institutions and the ACFSS

There are 27 reports drafted and 27 opinions issued on departmental financial statements, from which 25 unmodified opinions and 2 qualified opinions. [Read more...](#)

Unmodified opinions

Ministry of Foreign Affairs, Supreme Court, Central Land Commission, Central Election Commission, Ministry of Economics, Ministry of the Interior, Corruption Prevention and Combating Bureau, Ministry of Welfare, Cabinet of Ministers, Cross-sectoral Coordination Centre, Prosecutor's Office, National Electronic Mass Media Council, Public Utilities Commission, Ministry of Transport, Constitutional Court, the Ombudsman, Ministry of Health, Chancery of the President of Latvia, Ministry of Agriculture: no irregularities or inconsistencies have been identified that could be revealed in the audit reports.

Ministry of Defence, Ministry of Finance, Ministry of Education and Science, Social Integration Fund, Ministry of Justice, Ministry of Environmental Protection and Regional Development: audit reports reveal information on various inconsistencies, deficiencies, problems and uncertainties not affecting the type of the opinion of the State Audit Office to which drawing the attention of management of the sectors and users of the audit report is important. The highest proportion of irregularities is related to the accounting of long-term investments because audit reports list the irregularities detected in four sectors²¹.

Qualified opinions

The 2020 annual consolidated financial statement of the Republic of Latvia on the outturn of the state budget and municipal budgets

The ACFSS has so far been the subject of qualified opinions, as both substantial irregularities and significant limitations of scope were identified on an annual basis when the State Audit Office was unable to obtain sufficient and appropriate evidence, so there might be substantial irregularities in the financial statements. [Read more...](#)

It is not possible to determine exactly the amount of corrections required in the five parts of the report.

Long-term investment

From the total amount of 1.81 billion euros, for which determining the amount of the necessary adjustments is impossible, the majority or 91% constitute limitations of scope regarding the value of long-term investments of Riga City. The municipality has not conducted a full inventory since 2015.

Revenues

Revenues from taxes and state duties, fines and other non-tax revenues are still not recorded on an accrual basis. Neither liabilities nor claims include information on taxes, state duties, fines, and other non-tax revenues.

Liabilities

Taking into account that a case has not yet been decided in court regarding the actions of the former chairperson of Lielvārde Regional Council on the transaction concluded in 2015 with Riverside HK Ltd on behalf of the Regional Government for a promissory note worth 200 million euros, there is not sufficient or appropriate evidence obtained on the potential effect this transaction or absence thereof has had on the financial statement.

Other short-term liabilities

No sufficient or adequate evidence was obtained about whether the value of short-term liabilities for foreign financial assistance in the amount of 169 million euros is accurate and reliable. The State Treasury has not made a closing inventory for this balance sheet item.

²¹ Ministry of Defence, Ministry of Finance, Ministry of Culture, Ministry of Justice.

Derivative financial instrument

No assurance was obtained that the value of the seven items related to the derivative financial instrument presented in the report was accurate and reliable, as the State Treasury did not apply the standard method for determining the value of derivative financial instruments. The State Treasury also does not assess the effectiveness of derivative financial instruments according to internationally accepted methods.

On the accuracy of the annual report of the Ministry of Culture for 2020

There was no sufficient or appropriate audit evidence obtained and no amount of necessary adjustments determined in relation to the museum's collection at the disposal of the Latvian Ethnographic Open-Air Museum, which were 9.15 million euro in the consolidated balance sheet as of 31 December 2020. The balance sheet of the Latvian Ethnographic Open-Air Museum did not list all the exhibits in the museum collection, as well as there was no unified approach to the inventory of the exhibits at the disposal of the museum. [Read more...](#)

Errors found during audits

The audited entities were already informed of the errors and deficiencies in the accounts identified during the audit, and the audited entities took steps to correct them before the preparation of the annual accounts. The State Audit Office highly appreciates that, as in the previous year, more than 99% of the detected errors were corrected during the 2020 financial audits.

The most significant uncorrected errors, which could not be corrected by the audited entities, have been identified in the Ministry of Environmental Protection and Regional Development, whereas the most significant limitations of scope without any possibility to clarify the amount of necessary corrections were detected in the Ministry of Culture, and the most significant errors have been corrected by the State Treasury by adjusting the contingent liabilities in the sub-balance of the state budget financial balance, as well as by the Ministry of the Interior and the Prosecutor's Office by adjusting the calculation of provisions for service pensions.

The total corrected errors constituted 395.3 million euros and uncorrected errors totalled to 1.5 million euros.

On compliance issues

There were 19 opinions issued on compliance issues, out of which 17 were unmodified opinions, 1 qualified opinion, and 1 adverse opinion.

In 12 sectors, 18 different compliance issues specific to those sectors were assessed: whether the funding of 64.91 million euros has been spent in accordance with the purpose for which it was granted, in compliance with the applicable legislation by achieving the intended results, etc.

While auditing the ACFSS, the compliance issue in 113 local and regional governments was assessed: whether the actions of local or regional governments when organizing the inventory process complied with the requirements set in laws and regulations and ensured controlled management of the process, evaluation, and presentation of results in the municipal financial statements.

Unmodified opinions

Ministry of Defence

Introduction of national defence training – 514,950 euros

Central Election Commission

Purchase of election information system – 567,530 euros

Funding used for the extraordinary elections to the Riga City Council and collection of signatures - 1.08 million euros

Cabinet of Ministers

Introduction of public administration reform and innovation culture (priority measure) – 115,000 euros

Establishment of a single strategic communication capacity of the public administration (priority measure) – 293,640 euros

Cross-Sectoral Coordination Centre

Commencement of the improvement of the cross-sectoral cooperation and support system for the reduction of the risk of developmental, behavioural, and mental disorders of preschool children, multimodal early intervention program STOP 4-7 (priority measure) – 300,000 euros

Ministry of Finance

Strengthening the operational capacity of the Procurement Monitoring Bureau and the Lotteries and Gambling Supervision Inspectorate, including modernization and improvement of services and processes (priority measure) – 500,000 euros

Ministry of the Interior

Increase of remuneration for officials of the institutions of the internal affairs system with a special service rank (priority measure) - 12.69 million euros

Ministry of Education and Science

Reconstruction of the Valmiera J. Daliņš Stadium and construction project of the athletics arena – 700,000 euros

Additional investments for the implementation of sports infrastructure development projects of national significance (priority measures) - 4.40 million euros

Ministry of Culture

Implementation of the program of support measures for creative individuals – 500,000 euros

Provision of Latvia's Centenary celebrations - 5.47 million euros

National Electronic Mass Media Council

Acquisition of "Latvijas Televīzija" program production complex - 1.86 million euros

Ministry of Justice

Application of the General Data Protection Regulation and provision of its functions (priority measure) – 436,540 euros

Ministry of Environmental Protection and Regional Development

Implementation of administrative and territorial reform (priority measure) - 1.12 million euros

Ministry of Health

Establishment of the State Pathology Centre and provision of manipulations in the planned amount - 1.59 million euros

As part of the ACFSS audit

The inventory process in 113 local and regional governments. Some local and regional governments do not have an inventory process which is properly managed and controlled, as 32 local and regional governments have irregularities in preparing the inventory process, 5 local and regional governments have irregularities in documenting the inventory results, 16 local and regional governments have irregularities in the evaluation of inventory results. [Read more...](#)

Qualified opinion

Ministry of the Interior

Execution of administrative fines imposed by the institutions of the Ministry of the Interior in the amount of 28.19 million euros. For the year 2020 and up to March 2021, 7.69 million euros or 27% of the fines imposed were not collected, which is a higher percentage than in comparable previous periods. Of the sampled cases of administrative infringements, in which the infringement was detected by technical means (photo radars) and the payment of the fine was not made in time, 48% of the cases were not enforced unreasonably, while 74% of administrative cases on other infringements were not enforced unjustifiably.

Adverse opinion

Ministry of Environmental Protection and Regional Development

Implementation of the decommissioning measures of the Salaspils nuclear reactor in the amount of 4.59 million euros. Although the decommissioning of the Salaspils nuclear reactor was originally scheduled to start in 2015 and be completed within 5 years, the decommissioning of the reactor has not yet started in 2020. Unused funding in previous reporting years constituted 3.46 million euros and the initially planned expenses of 1.13 million euros in the reporting year were not spent in accordance with the purpose of the allocation. Of more than 1 million euros received from the state budget in 2020, 83% were spent on other measures not initially planned and not related to the decommissioning of the reactor.

On key audit matters

Spending and support for overcoming the crisis caused by the COVID-19 pandemic²² (horizontal key audit matter during financial audits)

During 15 financial audits on the accuracy of the consolidated financial statement for 2020, the support measures for overcoming the COVID-19 pandemic and the use of the funds allocated were assessed as a key audit matter. 949 million euros were audited (i.e., 77% of the allocated 1.24 billion euros and 93% of the spent 1.02 billion euros were audited) in 14 sectors (that is, 12 ministries, the Social Integration Fund and the National Electronic Mass Media Council) and 15 local and regional governments. [Read more...](#) [Read more...](#)

The need to promptly provide financial coverage for measures mitigating the impact of the COVID-19 outbreak and providing economic support led to a significant increase in both the national debt and the general budget deficit in 2020. The national debt increased by 1.6 billion euros in 2020 or twice the amount of the previous year. The amount of the budget deficit was 1.1 billion euros in 2020, which is almost 10 times more than in the previous year. [Read more...](#)

Interim audit reports drafted within the framework of the ACFSS audit on the key audit matter, spending and support for overcoming the crisis caused by the COVID-19 pandemic



State loans granted to local and regional governments for mitigating and preventing the impact of COVID-19²³ [Read more...](#)

Conclusions of the State Audit Office. The COVID-19 pandemic affected the budgets of local and regional governments, and the reduction of funds could also make implementation difficult for those investment projects which have been initiated or planned. One of the forms of support chosen by the government for

local and regional governments was state loans for municipal investment objects of high-readiness. State loans to local and regional governments (totalled 99.5 million euros by the end of 2020) were aimed at warming the economy by supporting the construction industry, the financial situation of which did not deteriorate in 2020. In general, the loans have been used for the intended purposes under the procedures specified in the laws and regulations. Exception – due to an opinion of the Municipal Investment Project Evaluation Commission which was made in non-compliance with the regulatory framework, a state loan of 66.560 euros was allotted for a project, within which, rather than developing the transport infrastructure – routine maintenance works of municipal roads were carried out. Since the support measures are still ongoing, the granting of loans should be improved by specifying the statutory framework and elaborating the assessment of investment projects.

Proposals of the State Audit Office. The Ministry of Environmental Protection and Regional Development (MEPRD) should improve the project assessment process so that the decisions taken meet the goals and criteria set by legislation and their justification is traceable. The Ministry should also ensure that the criteria defined in laws and regulations for the investment projects of local and regional governments applying for state loans are not general and do not leave room for interpretation.

The proposals of the State Audit Office have already been implemented in March 2022.

Communication tools: [press release](#)

²² To provide the public with timely up-to-date information on the solidity and legality of state budget expenditures related to coping with the COVID-19 pandemic, the results of financial audits on the annual financial statement for 2020 in ministries and the central government are included in the 2020 Public Annual Report of the State Audit Office.

²³ Audits were performed and an interim audit report was drafted within the financial audit "On the accuracy of the annual consolidated financial statement of the Republic of Latvia on the outcome of the state budget and municipal budgets for 2020" based on audit schedule No 2.4.1-36 of 13 July 2020 of the Audit and Methodology Department of the State Audit Office.



Tax support measures for taxpayers affected by the COVID-19 crisis – accelerated refund of overpaid VAT and extension of tax payment terms up to three years²⁴ [Read more...](#)

Conclusions of the State Audit Office. As part of the audits of comprehensive support measures to curb the COVID-19 pandemic, the State Audit Office audited two support measures for enterprises by the State Revenue Service (SRS): (1)

Accelerated refund of overpaid VAT and (2) Extension of the tax payment deadline administered by the SRS. Both measures have been implemented for the intended purpose under the established procedure. However, the SRS must follow the trends in the fulfilment of the obligations of taxpayers affected by the COVID-19 crisis. The support measure, accelerated refund of overpaid VAT, has proven its viability in the future as well, and the regulation of the special law on the accelerated refund of overpaid VAT has been fully adopted and incorporated into the Law on Value Added Tax as of 1 January 2021. In addition, information technology solutions will be improved after the implementation of the audit recommendations that will prevent delays in the overpaid VAT refund.

Recommendations of the State Audit Office. The information system shall be streamlined by ensuring control over compliance with the approved overpaid VAT refund deadline. The Ministry of Finance shall monitor the payment discipline of beneficiaries in cooperation with the SRS to be able to assess the impact on the state budget in time and unplanned budget revenues that will not be received in the following years.

Timeframe for implementation of the recommendations of the State Audit Office: until January 2025.

Communication tools: [Press release](#)

²⁴ Audits were performed and an interim audit report was drafted within the framework of the financial audit "On the accuracy of the annual consolidated financial statement of the Republic of Latvia on the outcome of the state budget and municipal budgets for 2020" (Audit schedule No 2.4.1-36/2020 of 13 July 2020 of the Audit and Methodology Department of the State Audit Office) and following Article 3 (3) (c) of the State Audit Office Law.

Introduction of the accrual principle in the accounting of taxes, state duties, and other payments administered by the SRS and attributable to the state budget (the key audit matter in the ACFSS audit)

Fifteen years have passed since the principle of accrual was introduced in the most important item of state budget revenues, that is, the accounting of state budget revenues administered by the State Revenue Service. The ACFSS for 2021 should be the first statement to include the annual report drafted according to the accrual principle on the taxes, state duties, and other payments administered by the State Revenue Service and attributable to the state budget, so called tax balance.

The State Audit Office has identified risks related to delay in the development of the Payment Administration Information System, which is essential for the timely implementation of the single tax account and accrual principle. Identified problems in the management of the implementation of the Payment Administration Information System such as insufficient preparation for the implementation of the accrual principle, shortcomings in testing capacity and scope of testing tasks, inability to identify and eliminate errors for a long time, delayed implementation and error elimination deadlines. As a result, certain processes and services of the State Revenue Service were suspended or provided to taxpayers to a limited extent and in an inferior quality.

Since the problems in the operation of certain functions of the Payment Administration Information System and the interoperability of the various information systems of the State Revenue Service have not been resolved, individual taxpayers do not have access to real data in the Electronic Declaration System of the State Revenue Service about the amounts of payable and overpaid taxes, state duties, and other state-determined payments administered by the State Revenue Service, as well as the public databases do not provide correct information about the tax payment status of amounts owed of those taxpayers. [Read more...](#)

Annual reporting process in ministries (the key audit matter in the ACFSS audit)

To provide information to the users of ACFSS in a more timely manner and more quickly, amendments have been made to the Law on Budget and Financial Management, which provide for shortening the deadline for ACFSS submission by one and a half months. Taking into account the changes in the deadline for drafting ACFSS, at the same time the deadline for submitting the annual report for ministries, central state institutions, and local and regional governments has also been changed starting from 2024 (for the 2023 report). The annual reports will have to be submitted by April 1, that is, one month earlier than set currently.

At the time of auditing, the process of drafting an annual consolidated financial statement of the ministries and the reports included therein was not organized in a way to ensure the submission of reports to the State Treasury in the shortest possible time and consuming fewer resources. This may cause difficulties in meeting the requirements of the amendments made to the Law on Budget and Financial Management, which require the ACFSS to be prepared and submitted one and a half months earlier. [Read more...](#)

The impact of the administrative and territorial reform on the drafting of annual reports (key audit matter in the ACFSS audit)

In the context of drafting the ACFSS for 2020, the administrative and territorial reform was a non-adjusting event after the balance sheet date, which indicates that conditions that occurred after the balance sheet date do not refer to the reporting year, and the nature of the non-adjusting event is explained in the report.

Several irregularities were identified in the laws and regulations related to the Administrative and Territorial Reform (ATR) and in the methodological materials of the Ministry of Environmental Protection and Regional Development. For instance, information on intangible investments and the procedure for their transfer, and information on the procedure for combining the ICT environment of local and regional governments was not specified, there was no clear idea of the re-registration of local and regional governments and their institutions in the Register of Enterprises of the Republic of Latvia, and other factors that could negatively affect the ATR process, the operation of local and regional governments and reporting. To prevent these conditions, the State Audit Office had to devote unplanned greater involvement in resolving the identified gaps and issues. [Read more...](#)

Recommendations

The financial audits resulted in a total 82 recommendations issued to audited entities, of which more than half, that is, 43 recommendations referred to the key audit matter, spending and support for overcoming the crisis caused by the COVID-19 pandemic. Regarding this matter, 5 proposals were provided to the Cabinet of Ministers and 2 proposals to the Ministry of Environmental Protection and Regional Development. 16 recommendations related to the accuracy of the annual financial statement, 19 recommendations related to compliance issues and 4 recommendations were given after checking the implementation of the recommendations given in previous audits.

By introducing recommendations regarding the accuracy of annual reporting, issues related to long-term investment and stock accounting will be arranged, issues related to the use of real estate will be improved, monitoring of the project evaluation process will be ensured, appropriate procurement procedures will be applied, as well as the provision of high-quality information on savings to the ACFSS will be provided for post-employment benefits.

By introducing recommendations regarding compliance issues, for example, the planning and implementation of various measures (including priority measures) will be streamlined, the internal control environment of institutions will be improved, and the funding allocated to specific measures will be used in accordance with the allocation purposes and the statutory procedures, deficiencies in the inventory process and their impact on the quality of information presented in the ACFSS will be prevented.

By introducing recommendations regarding spending and support for overcoming the crisis caused by the COVID-19 pandemic, for instance, crisis management and the planning and provision of personal protective equipment will be perfected, the planning of the funding necessary for supporting economic activities will be improved, the potential risks of providing unjustified state support will be eliminated, fair allowances corresponding to the investment for the employees of the responsible institutions for work in conditions of increased risk and stress will be safeguarded.

On the closing financial statement of the Central Land Commission as of 30 June 2021

Unmodified opinion

The audit was performed on the closing financial statement. Winding-up of the Commission was completed within the statutory²⁵ deadline, that is, 30 June 2021. It was concluded that in such cases, when anticipating the winding-up or reorganization of an independent institution established by the Saeima, it is important to determine the procedure of the winding-up process itself, the entities responsible, the obligations and successors of rights and the deadline for the winding-up process. [Read more...](#)

²⁵ Section 3 of the Law on Amendments to the Law on Land Commissions of 14 November 2019.

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

In total, 11 performance, compliance, and combined (compliance/performance) audits have been completed, of which four audits²⁶ are included in the 2020 Annual Public Report of the State Audit Office of the Republic of Latvia for 2020.

Audits were carried out on topics such as, for example, the availability of appropriate education for children with special needs, compliance with the requirements of the Law on the Prevention of Money Laundering and Terrorism Financing²⁷ and the Law on International and National Sanctions of the Republic of Latvia in the public sector, the safety of municipal bridges and overpasses, the availability of municipal public waters, the achievement of science policy goals, management of the real estate located at 2 Republikas laukums, Riga by state-owned "Real estate of the Ministry of Agriculture" Ltd, actions of the Association "Latvian Olympic Committee" when spending the allocated state budget funds.

As a result of the audits, 223 recommendations were issued to the audited entities for the elimination of the

detected irregularities, and 23 proposals were made to other institutions related to the relevant audit topic. In addition, two audits were completed in the first quarter of 2022, which had already been in the final stage during the reported period. Audits were carried out in such areas as the State Administration Reform Plan 2020 and the implementation of land reform. As a result of the audits, 13 recommendations were issued to the audited entities for the elimination of the detected irregularities, and 3 proposals were given to other institutions related to the relevant audit topic. 44% of time resources are devoted to performance, compliance and combined (compliance/ performance) audits.

Survey data²⁸: 85 % of opinion leaders consider the audit topics chosen by the State Audit Office as significant. It was also observed that representatives of law enforcement rated the significance of audits much higher than other groups of opinion leaders²⁹, i.e., 73% said that the audit topics were very important.

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

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

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

Combined (compliance/ performance) audit: compliance audits that also assess performance matters, or performance audits that also assess compliance matters.

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

²⁶ Combined (compliance/ performance) audit "Management and implementation of the real estate projects of Riga City Council's Property Department and Riga City Council's municipal enterprises", combined (compliance/ performance) audit "Does the country ensure effective use of the official electronic address in communication with individuals and businesses?", compliance audit "Does the operation of the Latvian Maritime Academy comply with the statutory requirements and does one ensure the implementation of its goals?", compliance audit "Do public sector employers ensure the requirements specified in laws and regulations when concluding an agreement with an employee regarding the restriction of professional activity?". [Read more...](#)

²⁷ The Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing.

²⁸ In cooperation with the market and public opinion research centre SKDS, a survey of Latvian opinion leaders was conducted "The image and performance evaluation of the State Audit Office of the Republic of Latvia from the perspective of opinion leaders" from 29 April 2021 to 10 May 2021. The contract price was 7,385.84 euros (including VAT).

²⁹ The Parliament, municipal politicians (MPs, ministers, heads of major local and regional governments, their deputies); non-governmental sector; audited units (higher officials of ministries, executive directors of major local and regional governments, managers of state-owned enterprises); representatives of the academia (rectors, vice-rectors of higher education institutions, members of the Council of Higher Education, members of the Latvian Academy of Sciences); media (journalists whose field of activity includes/could include coverage of the activities of the State Audit Office).



Does the child with special needs have the opportunity to receive an education that meets his or her abilities, needs, and the best interests of the child?³⁰ [Read more...](#)

Conclusions of the State Audit Office. The conclusions indicate the lack of interest and indifference of the responsible institutions in solving the issues of children with special needs. Irregularities found during the audit: excessively long time spent in making decisions important for the child's education; difficult physical access to the place of decision-making; the most important information for the child is not purposefully collected and

used; separation of children with special needs from the family environment and society in general. There are still boarding schools with unsuitable living conditions, which have historically attempted to solve the social problems of families. It was also concluded that the basic vocational education curricula that young people with special needs are offered do not always correspond to their abilities and interests. The arrangement of this area urgently requires decisive action at all levels of state administration.

Recommendations of the State Audit Office. Based on the audit conclusions, the Ministry of Education and Science has been given 17 recommendations for improving the area of special education, thus promoting that the activities of the responsible institutions are sufficient and provide a child with special needs with the opportunity to receive an education appropriate to his or her abilities and needs. Since several irregularities found during the audit can only be remedied in cooperation with the Ministry of Welfare, the State Audit Office made four proposals to the Ministry of Welfare as well by calling on them to participate in the development of the necessary solutions.

Timeframe for implementation of the recommendations of the State Audit Office: until October 2023.

Communication tools: [Press release](#) | [Video](#)



Is the public sector prepared to identify and prevent the risks of money laundering and breaches of sanctions?³¹ [Read more...](#)

Conclusions of the State Audit Office. The public sector needs many significant improvements to be ready for identifying and addressing the risks of money laundering and violation of sanctions. In Latvia, the public sector is obliged to report every suspicious transaction to the Financial Intelligence Service (FIS) since 2008. However, current risks in

the public sector have not been directly assessed and analysed at the national level so far. The audit findings reveal that there is no common understanding in the public sector about the importance of managing the risks of "money laundering" and sanctions and the practical actions to be taken, although the volume of transactions exposed to such risks is large in Latvia. For example, the volume of transactions reached 340 million euros on an annual basis only for risks in the subordinated areas in 18 audited local and regional governments (before the administrative and territorial reform). It was also established that most of the audited local and regional governments and institutions did not introduce an internal control system for managing those risks. In addition, the public sector lacks sufficient methodological support. During the audit, cases were found when the public sector was not ready to react and act promptly when facing the mentioned risks.

Recommendations of the State Audit Office. The proposals issued to the FIS, Ministry of Foreign Affairs (MFA), MEPRD, and State Chancellery are aimed at identifying the risks inherent in public administration, providing methodological support and training to the public sector, as well as improving the accessibility and functionality of databases in order to achieve proportionality in conducting audits and reduce the use of administrative resources. Local and regional governments and state administrative institutions also need to review and improve their internal control systems for the management of "money laundering" and sanctions risks themselves. In cooperation with the FIS, MFA, and the State Audit Office, the State Chancellery has already started organizing training to increase the qualifications and competence of the responsible officials and the first training workshop has already been provided in January 2022.

Timeframe for implementation of the recommendations of the State Audit Office: until July 2023.

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

³⁰ Performance audit.

³¹ Compliance audit "Compliance with the requirements of the AML/CTF Law and the International and Latvia's National Sanctions Law in public administration".



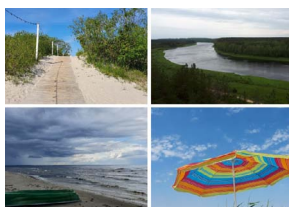
Municipal bridges: brittle illusion of mobility³² [Read more...](#)

Conclusions of the State Audit Office. During the audit in 11 local and regional governments, one has found that the necessary attention was not paid to the bridges of those local and regional governments either by the state or by the direct owners, the local and regional governments. Of the 332 bridges owned by those local and regional governments included in the audit sample, there is no certainty about the safety of at least 98 bridges. The findings show that many of the necessary management measures are often not implemented by local and regional governments; basically, bridges are not perceived as engineering structures, but as ordinary road sections, and management is limited to roadway maintenance works, for example, pothole patching. In many places, the condition of bridges is not identified in regional governments. In the regions, only 16% of bridges have had their main inspections carried out. In some local and regional governments, the public is not informed of already known unsafe bridges by installing mass restriction road signs on the bridges. The condition of municipal bridges can be considered a serious problem, which will be on the agenda of the government already in the next decade, because the period of full use of bridges built 50-60 years ago and generally poorly maintained is coming to an end, and an investment of almost 85 million euros is needed for the renovation of existing bridges and the construction of new ones in regions alone.

Recommendations of the State Audit Office. Recommendations for improving the situation have been made to the 11 local and regional governments included in the audit sample, calling on other local and regional governments to pay attention to the issue as well because the identified situation with municipal bridges and overpasses is likely to be similar throughout Latvia. Recommendations focus on safe use of municipal bridges and necessary mobility. Since the irregularities found during the audit can be remedied in cooperation with the Ministry of Transport, the State Audit Office also made recommendations to the Ministry on the performance of the monitoring functions of the maintenance of municipal highway bridges and on improving the monitoring of the use of earmarked grants.

Timeframe for implementation of the recommendations of the State Audit Office: until December 2022 (local and regional governments) and January 2023 (Ministry of Transport).

Communication tools: [Press release](#) | [Self-assessment questionnaire for local and regional governments](#)
[Bridge maintenance guide for local and regional governments](#) | [Audit report summary – brochure](#)



What happens in public waters?³³ [Read more...](#)

Conclusions of the State Audit Office. Local and regional governments identify and survey the water bodies in their territories, define and carry out actions to manage them. However, most of the actions cannot be assessed as systematic. One has identified irregularities in several aspects of management related to the planning of management tasks and works, monitoring of the execution of works and reporting on the work done.

The amount of activities performed in connection with the management of water bodies, incl. quality improvement, is small compared to other municipal activities. Although goals for the preservation and protection of natural resources have been set on a national scale, these issues are not given significant importance in the local and regional governments in Latvia in general. Interested parties often do not have access to information about public waters and the possibilities of their use. Local and regional governments also provide fee-based services in connection with the use of public waters, and inconsistencies have also been identified in this area in connection with the determination of service prices and fee collection. Projects aimed at ensuring quality and safe recreation often result not from municipal planning documents and a clear vision of achievable goals in this area, but from success in attracting funding for individual projects. For the process to be considered targeted and relevant to the interests of the population, local and regional governments should listen to the opinion of the population and include it in the development plans of the local or regional government, by setting goals, resources, deliverables, criteria for choosing projects to be implemented, and other actions.

³² Combined (compliance/ performance) audit "Are municipal bridges and overpasses safe?".

³³ Combined (compliance/ performance) audit "Does one provide economic public water accessibility compliant with the laws and regulations in local and regional governments by ensuring the recreation opportunities to the population and facilitating the growth of local or regional government?".

Recommendations of the State Audit Office. Several recommendations have been made to the local and regional governments included in the audit sample to support them in organising public water management from the aspect of environment, accessibility, and economic activity. Being aware that similar problems exist in other local and regional governments in Latvia, the State Audit Office has elaborated a self-assessment questionnaire and methodological materials available to all local and regional governments and interested parties. Proposals for improving the legal framework have been presented to the ministries responsible for the sector.

Timeframe for implementation of the recommendations of the State Audit Office: until January 2023.

[Press release](#) | [Self-assessment questionnaire for local and regional governments](#)
[Guide for local and regional governments](#) | [Guide for the population](#)



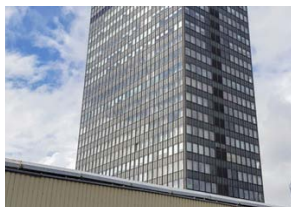
Do the planning of research projects and the organisation of project tenders comply with the laws and contribute to the achievement of science policy objectives?³⁴ [Read more...](#)

Conclusions of the State Audit Office. No confidence was gained that the funding for science in Latvia of more than 82.5 million euros was directed to the most promising research in accordance with the goal of facilitating the growth of Latvia's economy. The purpose of the audit was to evaluate whether and how one managed to implement the recommendations given in the 2012 audit³⁵ to the Ministry of Education and Culture to improve the implementation of Latvia's science policy significantly. One has established that not enough has been done to eliminate the problems and irregularities identified during the audit conducted in 2012, both in relation to the approach of the Ministry of Education and Culture when determining the priorities of science directions, and in relation to the control of the use of the funding allocated to science - the evaluation of projects and the monitoring of their implementation, which is largely the responsibility of the Latvian Council of Science (LCS).

Recommendations of the State Audit Office. Specific recommendations have been made to the line ministry, Ministry of Education and Science, to (1) comply with the statutory requirements, (2) timely identify and eliminate procedural deficiencies, and (3) use state budget funding appropriately. In general, the Ministry of Education and Culture should review the approach to determining the priorities of scientific directions in order to focus state budget funding on solving issues crucial to the sustainability and development of Latvia. It is also necessary to improve the control environment and monitoring measures in order to plan, implement, and use the funding of the National Research Program (NRP) projects in accordance with legislation. The Ministry of Education and Science should also evaluate the possibility of making clarifications in the cost items of goods and services of the NRP projects in cooperation with the LCS and the Ministry of Economics in order to return funding that was not necessary to the state budget.

Timeframe for implementation of the recommendations of the State Audit Office: until April 2023.

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



How is the building of the Ministry of Agriculture managed?³⁶ [Read more...](#)

Conclusions of the State Audit Office. The management of the building of the Ministry of Agriculture (located at 2 Republikas laukums, Riga) is not sufficiently economical and efficient; there is no clear future perspective of the use of real estate and priority activities in the conditions of insufficient funds. In addition, the interests of the state as the owner are not pursued when managing real estate.

³⁴ Compliance audit "Monitoring the implementation of the recommendations of the closed regularity audit "Performance Efficiency of the Ministry of Education and Science and compliance with the statutory requirements in developing and organising the implementation of the state science policy".

³⁵ Audit "Performance Efficiency of the Ministry of Education and Science and compliance with the statutory requirements in developing and organising the implementation of the state science policy". [Read more...](#)

³⁶ Combined (compliance/ performance) audit "Does the real estate management performed by state-owned limited liability company "Ministry of Agriculture Real Estate" at 2 Republikas laukums, Riga, comply with the laws and regulations and is the use of this real estate in the public interest?".

Recommendations of the State Audit Office. The Ministry of Agriculture and state-owned "Zemkopības ministrijas nekustamie īpašumi" Ltd (Real Estate of the Ministry of Agriculture, ZMNĪ) are recommended to evaluate potential development perspectives such as strengthening the real estate portfolio while improving control over the economic activity of the state-owned enterprise or to consider the possibility of transferring the management of real estate to another manager with greater capacity. The second solution would be reassessing whether ZMNĪ, when performing its core activity of delegated tasks in the area of land reclamation, should continue operating in the status of a state-owned enterprise, thus solving the problems identified during the previous audit³⁷. In total, 15 recommendations have been provided to the Ministry of Agriculture and ZMNĪ, which would eliminate irregularities in the current model of real estate management of the Ministry of Agriculture by ensuring compliance with the principles of state real estate management and effective governance of state resources, as well as real estate management in accordance with the market situation.

Timeframe for implementation of the recommendations of the State Audit Office: until January 2024 and until July 2026 regarding the building owned by Augstceltne Ltd.

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



Actions of Association "Latvian Olympic Committee" with the allocated state budget funds³⁸ [Read more...](#)

Conclusions of the State Audit Office. Although the plans for sports events have changed significantly due to the impact of the COVID-19 pandemic, including the postponement of the Tokyo Summer Olympic Games to 2021, the Association "Latvian Olympic Committee" (LOC), which is a permanent cooperation partner of the Ministry of Education and Science in the sports sector, has been granted 13 million euros from the state budget in total in 2019 and 2020. This includes a donation of 1.3 million euros from the state-owned enterprise "Latvijas valsts meži" (Latvian state forests) and additional funding of 2 million euros for mitigating the consequences of the COVID-19 pandemic. The audit gained confidence that the state budget funds allocated to the LOC have been used according to the purpose in general, including for supporting Latvian athletes to train for the Olympic Games and to carry out organizational work to ensure participation in the Olympic Games. However, the auditors have significant objections to the monitoring of the use of funds allocated to sports federations by the LOC, and it is not possible to claim that the sports federations have used the funds justly in all cases. There was also no possibility to find out whether the LOC and, therefore, the sports federations had acted effectively with the allocated state budget funding because the results to be achieved in the planning stage of sports development were defined too vaguely.

Recommendations of the State Audit Office. Seven recommendations are provided to the LOC for the development and improvement of internal processes, cost optimization, and control environment. Proposals have also been developed for the Ministry of Education and Science related to the development and implementation of both the sports policy and the financing strategy of the sports sector.

Timeframe for implementation of the recommendations of the State Audit Office: until July 2022.

Communication tool: [Press release](#)



State administration, quo vadis? The plans and progress of state administration reform³⁹ [Read more...](#)

Conclusions of the State Audit Office. After assessing how the State Administration Reform Plan approved by the government in 2017 was implemented with the aim of creating an effective, responsible, and flexible state administration, the audit findings led to the conclusion that some of the set performance indicators were achieved, but the

³⁷ Combined (compliance/ performance) audit "Is the management of reclamation systems sustainable and effective?" [Read more...](#)

³⁸ Compliance audit "Were the actions of Association "Latvian Olympic Committee" effective, economic and compliant with the intended purposes when spending the allocated state budget funds?"

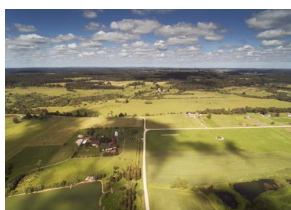
³⁹ Combined (compliance/ performance) audit "Is the State Administration Reform Plan 2020 progressing as planned and is the intended effect being achieved?"

reform was not managed effectively in general. In addition, the use of the term "reform" created great expectations for qualitative changes in the entire state administration, but they have not happened. Reducing the number of employees in the state administration that was the most-talked-about measure of the Reform Plan has not brought any meaningful changes. The promised formal indicator of 6% reduction in the number of employees' workloads has even been exceeded (3.2 thousand employees' workloads have been reduced or 7.6% in 3 years). However, due to exceptions, methodology, and the creation of new positions during the reform, the number of employees in state budget institutions has not changed significantly, as before and after the reform, approximately 60,000 people were employed there. Moreover, the reduction in the number of employee workloads is evaluated as a separate result of the reform, although it would make sense to evaluate the dynamics of the reduction in particular, taking into account the newly created positions. There are positive aspects of the reform noted such as measures to change culture and thinking in the state administration, the implementation of which is ongoing. One should also mention that the crisis caused by COVID-19 further increased the already existing problems in the state administration during the reform, however, the institutions have been able to adapt to the new situation by ensuring the continuity and availability of services.

Recommendations of the State Audit Office: There were eight recommendations issued to the State Chancellery and one proposal was provided to the Cabinet of Ministers.

Timeframe for implementation of the recommendations of the State Audit Office: until 2024.

Communication tools: [Press release](#) | [Infographic](#) | [Recommendation implementation timeframe #PecRevizijas](#) | [Survey summary](#)



Is the implementation of the land reform expected to be completed in the near future?⁴⁰ [Read more...](#)

Conclusions of the State Audit Office. The land reform has been in its final stage for a long time, but the measures taken are insufficient to finalise the land reform at least within the next five years or another predictable term that would allow the land reform to be completed in the next decade. Currently, no institution has been assigned the responsibility for planning and coordinating the completion of the land reform in an external legislative enactment, therefore one has not assessed whether and to what extent the goals of the land reform have been achieved, what legal solutions could facilitate the finalisation of the reform, what would be the most effective and economical solution to complete the land reform and how much continuation of the land reform would cost for several more decades. No deadlines have been set for the completion of the land reform in general and for activities to be carried out within it, which does not contribute to the performance of land cadastral surveying and the arrangement of ownership. Although the orders of the Cabinet of Ministers have been adopted on the finalisation of land reform in rural areas, cities, and towns throughout the country (with the exception of Tukums and Riga), the land reform actually continues because the land cadastral survey and decision-making on the restoration of property rights continue.

Recommendations of the State Audit Office. Several recommendations are made to the Ministry of Justice and the State Land Service. To facilitate the conclusion of the land reform in a transparent period and to use the state budget funds economically, the external legislative enactment should clearly define the entity responsible for the planning and coordination of the completion of the reform, evaluate the possibilities to determine the deadlines for the completion of the reform, speed up the cadastral surveying of the land with state budget funds, devoting proportionate state funds to the administration of the process and providing the public with reliable and traceable data related to the waiting list for land cadastral surveying for state budget funds.

Timeframe for implementation of the recommendations of the State Audit Office: until November 2023.

Communication tools: [Press release](#) | [Infographic](#) | [Recommendation implementation timeframe #PecRevizijas](#)

⁴⁰ Combined (compliance/ performance) audit.

1.5.3. Implementation of audit recommendations

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

Rate of Return

Rate of return on the impact of the State Audit Office's audit recommendations in 2021

1:4,4

Total expenses of the State Audit Office in 2021 according to cash

flow – **6 503 241** euros
against the calculated impact in 2021 of
28 504 351 euros

Quantifiable impact in 2021 by implementing

35

recommendations, which were presented in 32 audits, including:

Cost reduction

9 554 585 euros

Revenue increase

2 903 596 euros

Benefit to the public

16 046 170

euros

Recommendations given in the audits of the State Audit Office, which were to be implemented in 2021⁴¹

Sector	Recommendations to be implemented	Proportion of recommendations implemented and initiated	Recommendations fully implemented	Implementation has started	Not implemented	Closed - not implemented ⁴²	Lost relevance
Defence	14	100 %	14				
Economics	8	88 %	7		1		
E-governance	3	100 %	3				
Interior	27	100 %	27				
Education, science, and sports	30	90 %	25	2		3	1
Culture	14	93 %	13				
Welfare	9	100 %	9				1
Agriculture, fisheries and forestry	19	89 %	17			1	
Independent and other institutions	2	50 %	1			1	4
Public sector finance	63	86 %	51	3	4	1	1
Regional development, local and regional governments	92	97 %	76	13	2		
Justice	17	100 %	17				1
Transport and communications	23	96 %	22				1
Healthcare	20	80 %	9	7		3	
Environmental protection	6	100 %	6				

The audited entities have taken actions to implement 92.8% of the recommendations (which were to be implemented in 2021).

⁴¹ Data as of 17 March 2022.

⁴² The audited entity refuses to implement the audit recommendation or the actions taken by the audited entity in relation to the implementation of the recommendation do not ensure its implementation, and at least five years have passed since the planned deadline for the implementation of the recommendation.

Examples of the impact achieved by implementing the recommendations made in the audits of the State Audit Office in 2021

Ministry of Defence

Audit report	Is the development path of the Youth Guard efficient?
Recommendation	Improve the quality of work of the Young Guard.
Effect	The Young Guard policy was developed, the training program for cadets, the instructor qualification system and methodical management of the cadet training process were improved, thereby promoting the quality of patriotic education of the youth.

Ministry of Economics

Audit report	The safety of buildings: are we doing enough?
Recommendation	The Ministry of Economy should identify the problems and causes affecting the safety of buildings, develop solutions for their prevention.
Effect	An action plan with solutions has been developed, one of which is a support program (with a total funding of 31 million euros) within the framework of which owners of multi-apartment residential buildings can receive a loan to improve the technical condition of the dwelling.
Recommendation	Local and regional governments must determine the condition of the houses under their management, identify the necessary amount of investment to ensure the technical condition of the buildings, as well as evaluate the economic usefulness of the investment.
Effect	The condition of the buildings, the amount of necessary investments have been determined, and the residents of 20 dwelling houses have been relocated, thus eliminating the risk to life and health. In several cases, works to improve the technical condition of the houses have been planned and already carried out, including in those houses where significant irregularities were observed during the audit.
Audit report	Is a purposeful renewable energy policy implemented in Latvia?
Recommendation	The Ministry of Economy must ensure the application of criteria for receiving support that will promote targeted support for exporting enterprises of energy-intensive manufacturing industries, contributing to the achievement of the goals set in the National Development Plan of Latvia.
Effect	The criteria for receiving state aid (reduced participation in the MPC (mandatory procurement component) payment) available to energy-intensive enterprises have been revised to facilitate the redirection of targeted state aid to export-capable manufacturing companies. The provisions for the granting of state support were improved, including by expanding the scope of eligible industries and providing additional relief for enterprises in financial difficulties, which are especially important in the circumstances when energy-intensive businesses face a significant increase in the prices of energy resources. As a result, support is available to a wider range of businesses, and it reduces the negative effect of the increase in electricity costs on the competitiveness of those enterprises in export markets with similar enterprises.

Ministry of Finance

Audit report	The never-ending story of cash register reform!?
Recommendation	Advancement of cash register reform to increase the pace of its progress.
Effect	At the end of 2021, 99% of all cash registers have been replaced in accordance with the new statutory requirements. The replacement of cash registers has contributed to the collection of more state budget revenues.

Ministry of the Interior

Audit report	Are the state budget funds for the construction and maintenance of the Latvian state borderland infrastructure spent legally by achieving the set goals and results?
Recommendation	In the construction of the infrastructure of the Latvian-Belarusian border infrastructure, prevent the deficiencies and violations of laws and regulations found in the construction of the state border between Latvia and Russia.
Effect	The statutory framework regarding the legal construction of the infrastructure of the borderland is arranged.

Ministry of Welfare

Audit report	Does the national social inclusion policy achieve its targets on poverty reduction?
Recommendation	The Cabinet of Ministers should review the need for an allowance for former local or regional government council/council chairpersons and their deputies.
Effect	Since 2021, the article of the law stipulating such an allowance, has been deleted. After the end of the transition period, a reduction in municipal budget expenditures will also be achieved in the future. In 2019, 222 individuals in 85 local and regional governments received this allowance in a total amount of 1.1 million euros.
Audit report	Stolen childhood: Every child has the right to grow up in a family
Recommendation	To improve the inspections of the State Inspectorate for the Protection of Children's Rights and the Ministry of Welfare in institutions regarding the observance of children's rights, thus ensuring that they are meaningful and prevent the risks of violating the rights and interests of children.
Effect	Inspections are planned proactively, based on risk assessment, and not just in response to complaints, the range of issues covered in the inspections is much broader, and after the inspections, substantive monitoring of the recommendations provided is ensured. Based on the results of the inspections, a summary of the most frequently committed errors/ shortcomings is prepared, which is also available to all other institutions.

Ministry of Transport

Audit report	Is the Rail Baltica project governance effective in Latvia? (and in cooperation with the supreme audit institutions of Estonia and Lithuania on the implementation of the Rail Baltica project in the Baltic States)
Recommendation	Improve risk management in the Rail Baltica project at both the national and global level.
Effect	The risk management process was strengthened at the national level and AS RB Rail developed a unified risk management system, using it will reduce the risks of non-fulfilment of the schedule and budget throughout the project life cycle.

Ministry of Justice

Audit report	Have the development measures of the judiciary promoted the effectiveness of court operations?
Recommendation	Introduce a more efficient procedure for the selection and training of candidates for the position of a judge.
Effect	The Judicial Council drafted a new procedure for selecting candidates for the position of a judge. This selection procedure ensures that the vacancy for the position is filled without delay, generally having a positive effect on the workload of judges and the speed of handling cases.

Ministry of Health

Audit report	Does the Medical Treatment Risk Fund operate for the benefit of patients?
Recommendations	The seven recommendations provided have been implemented.
Effect	The operation of the Medical Treatment Risk Fund has been improved, including that the public receives the services of the Medical Treatment Risk Fund more quickly; there are clearer criteria by which the severity of the damage to health is determined and the amount of compensation is calculated; there is more accessible information about the operation of the Medical Treatment Risk Fund, its advantages and the procedure for submitting a compensation application, thereby also strengthening the public sense of security about the observance of their rights and interests.

Ministry of Environmental Protection and Regional Development

Audit report	Does the state administration effectively use stored information?
Recommendation	The Ministry of Environmental Protection and Regional Development shall implement a unified monitoring mechanism for ICT development projects in the country.
Effect	The “IS construction management principle” was introduced, that is, the requirement to coordinate ICT development projects with the Ministry of Environmental Protection and Regional Development and other institutions, regardless of the source of funding. Thus, opportunities for optimising solutions will be identified on time and duplication will be prevented by achieving a more targeted and efficient use of resources.

Ministry of Agriculture

Audit report	Is our game management sustainable?
Recommendation	The Ministry of Environmental Protection and Regional Development and the Ministry of Agriculture shall amend the legal framework by defining the Eurasian lynx species as specially protected to ensure compliance with the conditions of the Habitats Directive.
Effect	For the 2021/2022 hunting season, the lynx hunting limit has been set at zero, including reducing the risk of legal proceedings due to Latvia's improper compliance with the terms and conditions of the Habitats Directive.

Survey data⁴³: 87% of opinion leaders consider that the recommendations of the State Audit Office help state institutions to make better decisions.

Communication of the progress of implementation of the recommendations

A Recommendations platform is developed on the website of the State Audit Office, where one can familiarize themselves with audit recommendations that have not yet been implemented. [Read more...](#)

The Public Expenditure and Audit Committee of the Saeima has been given a summary analysis of the recommendations made in the audits of the State Audit Office and their implementation. [Read more...](#)

The hashtag #PecRevizijas has been activated on Twitter and Facebook regarding the progress in implementation of audit recommendations.

⁴³ In cooperation with the market and public opinion research center SKDS, a survey of Latvian opinion leaders was conducted “The image and performance evaluation of the State Audit Office of the Republic of Latvia from the perspective of opinion leaders” from 29 April 2021 to 10 May 2021. The contract price was 7,385.84 euros (including VAT).

1.5.4. Examination of irregularities identified during audits⁴⁴

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

“ All employees in the state administration are responsible for the legality of their actions. The State Audit Office has the authority to check how public funds are spent and to make recommendations for improving their management. The State Audit Office does not have a punitive function, but under the State Audit Office Law, we report on the violations detected during audits and cooperate with the responsible authorities, and follow the progress of their examination, explains Auditor General Rolands Irklis. ”

The Public Expenditure and Audit Committee of the Saeima was notified on the results of the assessment of violations found during audits and on the cooperation with law enforcement authorities in the period from 2019 to 2021⁴⁵. [Read more...](#)

Proceedings for the recovery of damages caused as a result of illegal actions

Four recovery proceedings have been initiated in total for damages caused as a result of illegal actions detected during audits.

Concerning illegal conduct detected during audit “Are restrictions on professional activity in the public sector determined legally?”, i.e. , compensation was paid to two employees for the restriction of professional activity for a period of time for which it was not due, hence the process of compensation for losses caused as a result of illegal conduct in the amount of 19,450.86 euros was initiated. The University of Latvia has provided information on the results of the liability assessment and is taking measures to recover the losses caused to the budget of the University of Latvia.

Regarding the illegal conduct identified during audit “On the accuracy of the 2020 annual report of the Ministry of Education and Science”, i.e., the allowances for teachers at the Riga Art and Media Technical School were not calculated in accordance with the regulations resulting in the losses of 17,389 euros to the budget of the Technical School. Following the assessment, the audited entity has identified the liable individual, who has the obligation to compensate the damages caused as a result of the illegal actions. The recovery of damages shall be carried out depending on the ruling on the detected illegal conduct in the initiated criminal proceedings. If the individual will be held criminally liable, the issue of the recovery of damages shall be resolved within the framework of the criminal proceedings, while if the criminal proceedings will be terminated, the recovery of damages shall be carried out from the liable individual identified during the liability assessment.

⁴⁴ Data as of 21 March 2022.

⁴⁵ Data as of 30 November 2021.

Regarding the audit “Does the real estate management performed by state-owned limited liability company “Zemkopības ministrijas nekustamie ipasumi” at 2 Republikas laukums, Riga, comply with the laws and regulations and is the use of this real estate in the public interest?”, the audited entities carry out a liability assessment about the detected illegal actions in two processes to clarify which individuals have the obligation to compensate the damages. The audit has established that losses to the budget of the Ministry of Agriculture and its subordinate institutions amounted to a total of 31,266 euros, covering expenses that institutions financed from the state budget do not have to pay. Also, the audit found that state-owned “Zemkopības ministrijas nekustamie ipasumi” granted a total of 4,321.59 euros of rent discounts due to the spread of COVID-19 which did not conform to the provisions of the legal framework.

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

During the reported period, there were four reports sent to the law enforcement institutions regarding the violations of legal provisions found during the audits, in which signs of an alleged criminal offense could be observed, after which nine criminal proceedings were initiated.

Progress with regard to reports notified in previous periods [Read more...](#)

Continued monitoring of 25 criminal proceedings (not including those settled in the reported year) which are at the stage of pre-trial investigation and 10 criminal proceedings which are at the trial stage.

Additional explanations and information were provided to the law enforcement institutions in 12 initiated criminal proceedings based on the reports of the State Audit Office (several times in specific criminal proceedings).

There were 13 decisions made by law enforcement institutions assessed, and four complaints were submitted regarding the decisions made by law enforcement institutions in connection with infringements established during the audits, that is, for one decision to refuse initiating criminal proceedings and for three decisions to terminate criminal proceedings.

Three convictions have entered into force: for two former officials of the Riga Freeport Authority, one former official of “Jūrmalas Namsaimnieks” Ltd, and one official of the Krāslava territorial unit of the vocational education competence centre “Rīgas valsts tehnikums” (Riga State Technical School) for illegal conduct detected during the audits.

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

Possible administrative violations established during eight audits were reported to the competent authorities for consideration of administrative violations, including four to the Corruption Prevention and Combating Bureau, two to the Procurement Monitoring Bureau, and two to the State Revenue Service.

Assessment results of violations detected during audits

In the Corruption Prevention and Combating Bureau, an administrative (monetary) penalty was imposed on six officials, two reprimands were issued to one official, and investigations are ongoing for the eight alleged administrative violations found during two audits.

An administrative (monetary) penalty was imposed on one official in the Procurement Monitoring Bureau, and a departmental investigation continues for the detected violations in one case.

Inspections are ongoing at the State Revenue Service.

Disciplinary cases Read more...

Lists of violations about nine violations found during five audits in the handling of public funds and property were sent to audited entities and their supreme governing bodies for the assessment of the liability of officials.

Regarding the violations detected during four audits⁴⁶, which were not violations in the handling of financial funds and property and for which the audited entity is not obliged to provide the State Audit Office with information on the results of the assessment of liability in accordance with the Law on the Prevention of Waste of Financial Funds and Property of a Public Entity, the audited entities have been informed of the need to carry out an assessment of disciplinary liability.

The results of assessing liability

A disciplinary penalty was applied to one individual for a violation detected during one audit.

Regarding the violations found during one audit, there were two internal investigations carried out (a repeated internal investigation was carried out after the irregularities indicated by the State Audit Office) and no disciplinary liability was applied to any individual, even though the infringements of legal provisions were recognized - employment/civil service legal relations were terminated with four individuals.

The assessment of the six violations found in the three audits continues.

⁴⁶ Under the laws and regulations stipulating disciplinary liability, the State Audit Office also informs of the need to assess disciplinary liability for those significant violations of legal provisions detected during an audit, which are not violations of handling public funds and property, and invites to inform about the results of the assessment.

1.6. Auditing organisation and support processes

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

The State Audit Office has developed audit methodology in accordance with international standards on auditing and international instruments of supreme audit institutions by INTOSAI⁴⁷ [Read more...](#)

The State Audit Office was a member of the Framework for INTOSAI Professional Pronouncements (FIPP) from January 2017 to March 2021.

Novelties in auditing methodology and in the organisation of audits

The new wording of the Compliance Audit Methodology has been approved, which defines a standardized procedure and minimum requirements for documenting compliance audits, as well as the explanations of the manual, which has been developed as an auxiliary material in conducting compliance audits in order to ensure compliance with audit standards in the work of the State Audit Office and promote best auditing practices.

An audit methodology tool was developed with the aim of facilitating auditors' work by providing answers to questions that arose during the performance of work duties.

Continued optimization of the process of obtaining audit evidence by connecting to the accounting systems of audited entities and obtaining the necessary information remotely.

Continued cooperation with certified auditors and internal auditors. Within the framework of auditing the ACFSS, cooperation in the form of direct assistance with internal auditors of ministries and local and regional governments was provided.

Self-assessment questionnaires

Audit **"Management and implementation of the real estate projects of Riga City Council's Property Department and Riga City Council's municipal enterprises"** [Read more...](#) Self-assessment questionnaire for local and regional governments.

Audit **"Are municipal bridges and overpasses safe?"** [Read more...](#) Self-assessment questionnaire for local and regional governments about bridge management.

Audit **"Do local and regional governments provide the availability of public waters in accordance with laws and regulations by ensuring recreational opportunities for the population and promoting the growth of the local or regional government?"** [Read more...](#) Self-assessment questionnaire for municipal public water management.

Audit **"Compliance with the requirements of the AML/CTF Law and the International and Latvia's National Sanctions Law in public administration"** [Read more...](#) Self-assessment questionnaire for evaluating the internal control systems of institutions in matters of "money laundering" and the risk management of sanctions.

⁴⁷ The International Organization of Supreme Audit Institutions.

Guide for local and regional governments



Based on audit results, a guide and advice for work and expanding one's horizons has been developed. [Read more...](#)

Podcast "Guide for local and regional governments: a step for better management?" [Listen here...](#)

Audit support tools



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



Analysis of
geospatial
data.



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

Kiteworks

Large-scale data exchange with audited entities.



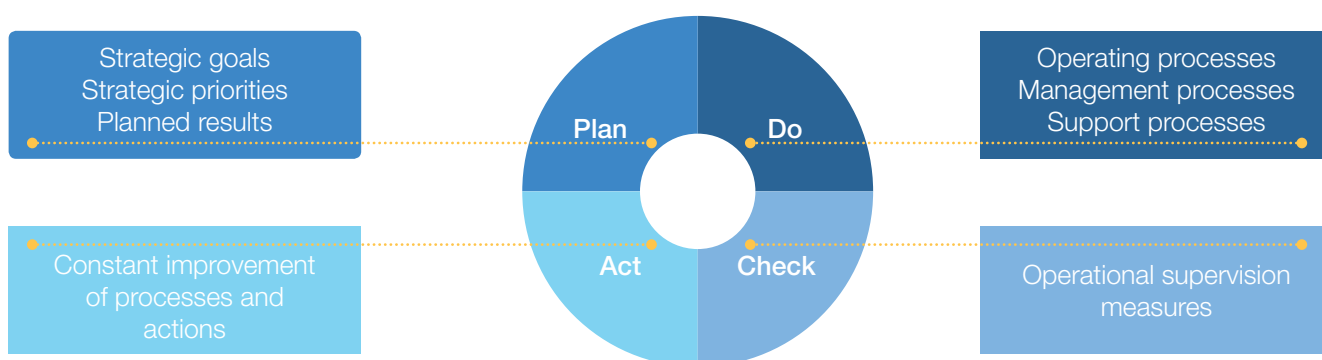
Creation of audit files;
Archiving of audit files.

1.7. Quality management and internal control systems

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

The quality management system of the State Audit Office ensures the direction and management of the work of the State Audit Office, it consists of all the documentation approved by the State Audit Office, which determines the sequence of work processes, their interrelationship, control procedures, employee cooperation and responsibility, requirements for the quality of performance, thus ensuring the quality of ongoing audits supervision and promoting the improvement of the work of the institution as a whole.

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



Quality control and management

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

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

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

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

The implementation of the recommendations provided in internal audits and compliance checks has ensured the improvement of the State Audit Office's operations in such areas as basic principles of ethics, organization of employee absences, processing and protection of the personal data of individuals and inventory of the reporting year.

Performance self-assessment – providing an assessment of the organization of work of the State Audit Office in eight areas (according to INTOSAI Development Initiative's SAI Performance Measurement Framework⁴⁸).

⁴⁸ Additional information: <https://www.idi.no/work-streams/well-governed-sais/sai-pmf>.

Risk assessment – a risk assessment of the State Audit Office's Strategy was carried out and risk mitigation measures were determined.

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

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

Corruption risk assessment of the State Audit Office⁴⁹ – supervision over the corruption risk assessment of the State Audit Office and the specified measures for the reduction or prevention of corruption risks.

⁴⁹ According to Cabinet Regulation No 630 "Regulations on the Basic Requirements of the Internal Control System for the Prevention of the Risk of Corruption and Conflict of Interest in an Institution of a Public Entity".



INTERNATIONAL COOPERATION

2.1. International activities

2.2. International projects

2.1. International activities

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

Framework for international cooperation



International Organization of Supreme Audit Institutions INTOSAI

A member since 1994.

The State Audit Office has observer status in the Financial Auditing and Accounting Subcommittee (FAAS) of the INTOSAI Professional Standards Committee. Membership in FAAS ensures the presence of the State Audit

Office in making important decisions in the field of international auditing standards for the supreme audit institutions. [Read more...](#)

Member of the Working Group on Environmental Auditing. [Read more...](#)

Participation in INTOSAI Forum of SAIs with jurisdictional functions. [Read more...](#)



Organization of European Supreme Audit Institutions

Member since 1995.

Member of the EUROSAI Governing Board. Responsible for the portfolio "Relations with non-SAI stakeholders". [Read more...](#)

Member of five working groups: (1) Working Group on Environmental Auditing [Read more...](#) (2) Working Group on Information Technologies Auditing [Read more...](#) (3) Task Force on Municipality Audit [Read more...](#) (4) Working Group on the Audit of Funds Allocated to Disasters and Catastrophes [Read more...](#) (5) Working Group on Audit of Responses to COVID 19 Pandemic [Read more...](#)

Participation in Network for Ethics [Read more...](#)



Contact Committee of Supreme Audit Institutions of the European Union

Member since 2004.

The aim is to strengthen the EU's financial management and good governance, public confidence in public administrations and the role of supreme audit institutions in promoting it.

[Read more...](#)

Member of three working groups: (1) Working group on value added tax [Read more...](#) (2) Working group on irregularities and fraud auditing [Read more...](#) (3) Working group on auditing NextGenerationEU and the European Recovery Fund [Read more...](#)

Participation in the Working Group on Fiscal Policy Auditing [Read more...](#)

Other memberships

Task Force Rail Baltica of the SAIs of the Baltic States [Read more...](#)

Cooperation platform of International Board of Auditors for NATO and Member of the Competent National Audit Body for NATO. [Read more...](#)

Organisation for Economic Cooperation and Development (OECD) Audit Committee. [Read more...](#)

Cooperation mechanisms with other supreme audit institutions

Memoranda of Bilateral Cooperation [Read more...](#)

There are 16 bilateral cooperation agreements signed with supreme audit institutions.

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

Audit on measures taken in poverty alleviation / SAI Bulgaria, Croatia, Slovakia, Hungary. [Read more...](#)

Employees of the State Audit Office as experts of international organisations [Read more...](#)

The expertise of the State Audit Office covers both areas related to the capacity of supreme audit institutions and aspects of public financial management.

The State Audit Office as an international training centre [Read more...](#)

Training organised for the State Audit Organization of Lao People's Democratic Republic on general principles for public sector auditing and monitoring the implementation of recommendations. [Read more...](#)

Key international cooperation activities



XI Congress of the European Organization of Supreme Audit Institutions (EUROSAI).

Discussions on current activities of EUROSAI. [Read more...](#)



Outline of EUROSAI member SAIs' challenges and examples of responses to the COVID-19 pandemic impact

Informational document compiled by the State Audit Office on the challenges of the supreme audit institutions of the EUROSAI member states during the COVID-19 pandemic, their impact on the institutions' operation and solutions to mitigate the impact of the pandemic. [Read more...](#)



UN Climate Change Conference

Panel discussion led by the State Audit Office "How to tackle climate change more effectively with available public funds?" [Read more...](#)



Contact Committee meeting

Discussions of the Supreme Audit Institutions of the EU Member States and the European Court of Auditors on various approaches and challenges related to the audits of the spending on COVID-19 crisis. [Read more...](#)



Governing Board meeting of the European Organization of Supreme Audit Institutions

The operational plan of the portfolio of the State Audit Office - "Relations with non-SAI stakeholders" - for the next three years was presented. [Read more...](#)

The Auditor General's introductory meetings with Auditor Generals from the neighbouring countries



Face-to-face meeting with Auditor General of Estonia Janar Holm.

[Read more..](#)

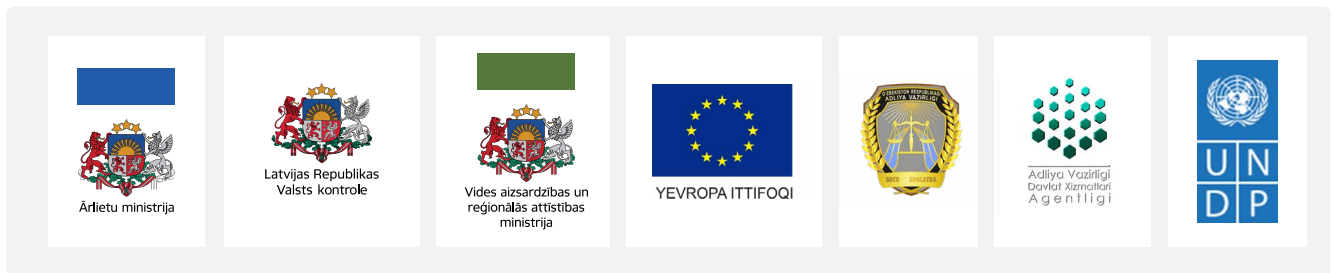


Online meeting with Auditor General of Lithuania Mindaugas Macijauskas.

[Read more...](#)

2.2. International projects

Project “Support for improving the quality of public service delivery in the regions of Uzbekistan”



Project budget: 11,970 euros (funding from state budget of the Republic of Latvia, according to the Annual Development Cooperation Policy Plan)

Project implementation time: 2021

Project implementer: Ministry of Environmental Protection and Regional Development, State Audit Office of the Republic of Latvia, Agency for Public Services of Uzbekistan, United Nations Development Program (UNDP) Office in Uzbekistan.

Beneficiary: Agency for Public Services of the Republic of Uzbekistan (PSA)

The project aims at providing timely support to the government's efforts in developing citizen-centered public services and in strengthening the municipal system to address citizens' environmental, social and economic challenges more effectively.



The activities the State Audit Office and the Ministry of Environmental Protection and Regional Development implemented: (1) review of the project partner's internal documentation and the review report on the quality assessment in 2019 and 2020 and presentation of conclusions; (2) analysis of learning needs and discussion with potential target audience; (3) development of training plan/curriculum and content; (4) organization of training. [Read more...](#)

Support for the supreme audit institutions of the Eastern Partnership countries⁵⁰

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



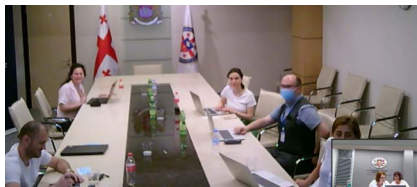
Project budget: 8,160 euros (funding from state budget of the Republic of Latvia, according to the Annual Development Cooperation Policy Plan)

Project implementation time: 2021

Beneficiaries: Supreme Audit Institutions of Moldova and Georgia

Project aims at building capacity of the supreme audit institutions of Moldova and Georgia in the process of integration of the International Standards of Supreme Audit Institutions (ISSAI).

Implemented activities for the Supreme Audit Institution of the Republic of Moldova: (1) improved IT audit approach to evaluating ICT management and efficiency issues; (2) developed audit programs in line with international best practices for audits of expenses for the prevention of the consequences of the Covid-19 pandemic in the social and healthcare sector; (3) the practice of the State Audit Office on audits related to COVID-19 was presented, especially in the health and welfare sector, as well as provided relevant consultations. [Read more...](#)



Implemented activities for the Supreme Audit Institution of the Republic of Georgia: (1) quality control methods and quality assurance experience of audits of the State Audit Office were presented; (2) practical support in quality promotion was provided. [Read more...](#)

Project “Support to capacity building of the Supreme Audit Institution of The Gambia”

Project budget in 2021: 42,000 euros (Development Initiative of INTOSAI (IDI) is funded by the Supreme Audit Institution of Norway and international donors: UK Aid, INTOSAI, Austrian Development Agency and Swedish International Development Cooperation Agency SIDA).



Project implementation time: 2021

Project implementer: IDI⁵¹, State

Audit Office of the Republic of Latvia, African Organisation of Supreme Audit Institutions (AFROSAI).

Implemented activities: (1) participation in the final phase of the 2021 work plan development process; (2) support in developing a communication strategy; (3) support for auditing spending related to the COVID-19 pandemic; (4) support in the implementation of audits of the annual consolidated financial statement; (5) developed training plan and training needs analysis; (6) work on adjusting and updating audit methodologies.

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

⁵⁰ The Eastern Partnership is established with the aim of promoting political association and economic integration with the Eastern neighbours of the European Union in order to promote stability, economic growth, and mutual trust in the region. Since the establishment of this policy, the Eastern Partnership has been a priority of Latvia's foreign policy, and Latvia actively participates in the creation of the Eastern Partnership policy.

⁵¹ Additional information <https://www.idi.no/en/>.



COMMUNICATION OF THE STATE AUDIT OFFICE

3.1. Public relations

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

3.1. Public relations

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

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

Survey data⁵²: **73% of opinion leaders believe that the State Audit Office explains sufficiently the audit results to the public and what could be improved in the specific field, sector and institution.**

Raising public awareness

92 news items on audit reports and other issues are published on the website. [Read more...](#)

There were two press conferences organised and comments, interviews, responses on radio, TV and in writing provided.

Seven podcasts published. [Listen here...](#)

Six videos filmed. [Watch here...](#)

Prepared publications in international journals. [Read more...](#)

For each external communication activity carried out, communication was implemented in social network accounts – [Twitter](#) | [Facebook](#) | [LinkedIn](#)

Prepared answers for citizens, including on social network platforms.

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

Meetings during which the activities to date, current issues and future cooperation were discussed and conducted with the Prime Minister, the Director General of State Revenue Service, President and representatives of the Bank of Latvia, the management of Financial Intelligence Service, representatives of Prosecutor General's Office, the Board of Foreign Investors' Council in Latvia, the management of the Association of Local and Regional Governments of Latvia, the head of Anti-Fraud Coordination Service (AFCOS) in Latvia, a member of the European Court of Auditors, Latvia's Ambassador to the United Kingdom of Great Britain and Northern Ireland, and management of other institutions.

Meetings with line ministers and their representatives by informing the political leadership of the sector about the significant problems identified, the progress of implementation of audit recommendations, the strengths and weaknesses of the sector, and other issues related to the management of the sector.

Participation in the forum "Good governance: the path to public well-being and the competitiveness of the Latvian economy" at the Chancery of the President of Latvia in the Riga Castle. [Watch here...](#)

⁵² In cooperation with the Market and Public Research Centre SKDS, a survey of opinion leaders "The image of the State Audit Office of the Republic of Latvia and the evaluation of its activities from the point of view of opinion leaders" was conducted from 29 April 2021 to 10 May 2021. Total contract sum constituted 7,385.84 euros (incl. VAT).

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

Public involvement

Letters from citizens and whistle-blower reports are one of the criteria when planning audit work.

Population survey on the sorting of biodegradable waste. [Read more...](#)

Conversation festival LAMPA: How can the State Audit Office provide the greatest possible public benefit?

[Read more...](#)

Cooperation with those non-governmental organizations that have provided or can provide support to the State Audit Office in auditing. Discussion: Latvia's post-crisis loss control and future strategy [Read more...](#)

Conference: Crowd immunity to fight fraud [Read more...](#)

Conference of public leaders "Lifting power: anatomy of mistakes" [Read more...](#)

Letter of gratitude from non-governmental public organization "Latvijas Ceļu būvētājs" uniting Latvian road construction professionals for the work done in the audit of municipal bridges [Read more...](#)

Cooperation with the Saeima

Meeting of the Auditor General and the Speaker of the Saeima Ināra Mūrniece on current issues.

Historically the first online address in the Saeima about the performance of the State Audit Office in 2020 and future priorities⁵³. [Read more...](#)

Participation in 63 meetings of the Saeima's Committee for Public Expenditure and Audit remotely, in videoconference format. [Read more...](#)

Participation in seven online videoconferences of other Saeima committees and subcommittees in video conference format.

Public Council of the State Audit Office

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

Council meetings on the lines of action during the COVID-19 crisis and on drafting the new State Audit Office Strategy 2022–2025.

Letters of Recognition [Read more...](#)

Journal "Jurista Vārds" (Lawyer's Word) for active and professional dissemination of audit results of the State Audit Office in the public space.

State Construction Control Bureau for targeted, responsible and professional cooperation with the State Audit Office during audits, increasing the effectiveness and impact of audits.

⁵³ Following Article 8.2 of the State Audit Office Law and Section 131.6 of the Saeima Rules of Procedure.

Educational events and discussions on audits

On audit “Is the public sector prepared to identify and prevent the risks of money laundering and breaches of sanctions?” at the State Administration School [Read more...](#) and the Latvian Local and Regional Government Training Centre [Read more...](#) and training webinar [Read more...](#)

On audit “Municipal bridges: brittle illusion of mobility” the Latvian Local and Regional Government Training Centre [Read more...](#)

On audit “Actions of Association “Latvian Olympic Committee” with the allocated state budget funds” at the workshop convened by Latvian Olympic Committee.

On interim audit report “Financing for the state-owned enterprises of the Ministry of Culture to stabilize the financial situation and development of infrastructure” in the working group established by the Ministry of Culture.

On audit “Efficiency of the out-of-family care system” in the strategic debates organized by the Ministry of Justice and the Ministry of Welfare “Children 2025”. [Watch here...](#)

About the problems identified in the audits carried out in the Ministry of Education and Science and the implementation of recommendations in a workshop for heads of institutions of the Ministry of Education and Science.

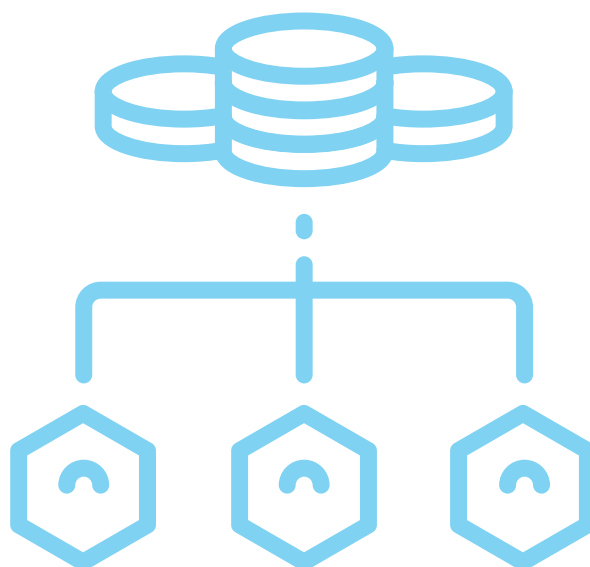
On audit results of the 2020 annual consolidated financial statement of the Republic of Latvia on the outturn of the state budget and municipal budgets and on the compliance issues assessed in the audit of the 2021 annual consolidated financial statement of the Republic of Latvia on the outturn of the state budget and municipal budgets and related topical issues at the round table conference with certified auditors.

Audit results “Has the state administration established a unified ICT infrastructure management to ensure its effective use?” are included in the compilation of the Contact Committee of the European Court of Auditors as an example of good practice to improve cyber security in general. [Read more...](#)

Four audits on municipal real estate management are included in the compilation of the European Organization of Supreme Audit Institutions as examples of good practice and experience to improve public financial management. [Read more...](#) [Read more...](#)

Participation of State Audit Office employees in other discussions/events on audit results.

4



FINANCIAL RESOURCES AND PRIORITIES

4.1. Financial resources

4.2. Priorities for the next year

4.1. Financial resources

Financial Indicators of the State Audit Office

No	Financial indicators	Previous year (actual execution)	Reported year		
			Approved in the Law (forecast)	Approved in the Law (with amendments)	Actual execution
1.	Resources to cover expenditure (total)	6 709 803	7 054 513	7 223 405	6 466 932
1.1.	Revenue from paid services and other own revenue	62 166	0	8526	8526
1.2.	Transfers	33 986	0	11 420	11 420
1.3.	Grants	6 620 942	7 054 513	7 203 459	6 446 986
2.	Expenditure (total)	6 675 132	7 054 513	7 259 717	6 503 241
2.1.	Maintenance costs (total)	6 561 475	6 968 080	7 168 634	6 413 368
2.1.1.	Current expenditure	6 559 163	6 965 551	7 151 105	6 397 554
2.1.1.1.	Remuneration	5 379 701	5 797 108	5 916 664	5 384 401
2.1.1.2.	Goods and services	1 179 462	1 168 443	1 234 441	1 013 153
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	1992	2209	17 209	15 494
2.2.	Capital expenditure	113 657	86 433	91 083	89 873

Priority measures 2021–2023

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

The goal is, by fulfilling the statutory mandate under the Law on Audit Services and setting uniform audit standards for audits of the entire public sector, to provide recommendations with the greatest possible value as a result of its activity for the improvement of public sector activity.

Additional allocation of 378,400 euros in 2021.

The additional allocated funding is intended for the motivation of the most competent employees of the State Audit Office (expenditure for compensation), ensuring the certification of heads of sectors and auditors, information technology security solutions (expenditure for services) and international cooperation - in the IDI (expenditure for international cooperation).

The additional allocated funding of 148,900 euros from the budget division "74. Budget program 01.00.00 "Appropriation reserve" of redistributable funding in the annual state budget execution process" was intended for the motivation of the most competent employees of the State Audit Office (expenses for remuneration), improving the tools used in remote work and the skills of employees to apply them both in internal and external communication (expenses for services), and information technology infrastructure for ensuring the continuity of the institution's operation (expenses for capital investment).

4.2. Priorities for the next year

In financial audits, continue to assess crucial compliance issues (transactions, activities and projects, for the implementation of which funding has been allocated and spent), evaluate the possibility of including the assessment of the expenses and results of certain measures of Latvia's RRP in the audits.

Develop skills in performance auditing.

Carry out performance, compliance and combined audits included in the 2022 work plan of the State Audit Office.

Provide recommendations with a monetary value after audits as far as possible by aiming to achieve a double financial return for every euro invested in ensuring the operation of the State Audit Office. Improve the monitoring of the implementation of audit recommendations made and the public communication about the results of the implementation of the recommendations. Assess the impact achieved because of audits in terms of increased public sector revenue or prevention of illegal and wasteful expenditure, benefit created for citizens or achieved economic impact.

Implement the State Audit Office's right to decide on recovery of damages from officials (employees) in cases where losses to the state or municipal budget have been caused as a result of their illegal actions and the individual has not compensated them voluntarily.

Provide active representation and professional expertise in the work of the Financial Audit and Accounting Subcommittee (FAAS) of the INTOSAI Professional Standard Committee to become one of its 15 official members in the coming years and the State Audit Office could influence the development and improvement of international public sector financial auditing standards and guidelines in full.

Maintain the certification system of heads of sectors and auditors of audit departments by ensuring appropriate professional qualifications for conducting audits of the State Audit Office.

Ensure the efficient operation of the State Audit Office and promote the professional development and motivation of employees in the conditions of new opportunities and challenges.

Provide for a professional and independent international peer review of the State Audit Office in accordance with INTOSAI guidelines⁵⁴.

Prepare the State Audit Office's human capital development, information technology and communication strategies for the years 2022-2025.

⁵⁴ ISSAI 5600 – PEER Review Guidelines.



Skanstes iela 50, Rīga, LV-1013



67017500



www.lrvk.gov.lv



pasts@lrvk.gov.lv



@VKontrole



VKontrole



LRVK



Latvijas Republikas Valsts kontrole



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