



# Strategy 2022–2025 of the State Audit Office of the Republic of Latvia

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Riga 2021



State Audit Office  
Republic of Latvia

# Introduction

Dear Colleagues of the State Audit Office, Dear Readers,

As we enter into a new period from 2022 to 2025 for our strategy, the State Audit Office of the Republic of Latvia has set goals for itself that resonate with the challenges that our country and the public are facing. As the supreme audit institution, we clearly see our role in facilitating sound, legal, and efficient management of the public resources.

On a broader perspective, we also see global challenges in achieving the sustainable development goals (SDGs), which Latvia must address together with the parliaments, governments of other countries, and the international community. The role of supreme audit institutions (SAIs) in achieving those goals is growing throughout the developed world, and we can be proud to keep pace with the leaders in public sector auditing.

Several of these goals affect Latvia quite directly. Therefore, it is essential that public resources that will be invested in the coming years in areas such as poverty alleviation, healthcare, education, the energy sector, climate change mitigation and others achieve results, thereby improving the daily life and future opportunities of every individual in Latvia. Thus, audits related to the achievement of the sustainable development goals will play an increasingly substantial role in the Strategy of the State Audit Office.

The Strategy for 2022–2025 of the State Audit Office sets a goal – the [efficient, diligent, and legal operation of the public sector in the public interest](#), as well as four action lines for achieving this goal.

The performance audits conducted by the State Audit Office, the role of which has increased in recent years in the operation of supreme audit institutions worldwide, are the main tool in the

implementation of action line 1 – [promote sound public spending to maximise benefits to the public](#). Given the significant public resources invested in achieving national targets, performance audits have the potential to bring the greatest benefits to the public in particular by ensuring that every euro invested benefits the population as much as possible. The many years of experience, advanced methodology, and experienced auditors of the State Audit Office allow us to be firmly placed among those countries in the world that can both perform high-level assessments of public sector performance and raise the capacities of other supreme audit institutions in various countries to do so. Thus, we will provide world-class expertise by providing support to public administration and delivering benefits to the public as a whole.

Legal, reasonable management of public funds and correct accounting are essential preconditions for the successful operation of the public sector. Latvia has come a long way in streamlining this area. When assessing the progress, we can be pleased that we are among the countries that have managed to make steady advancement towards the standards of accounting and the rule of law that we see among the most successful developed countries. Still, there is a lot to do, especially in the area of the rule of law, therefore, it will continue to be an important area of activity for the State Audit Office as included in action line 2 – [strengthen public confidence in the public sector by contributing to national integrity](#).



Action line 3 – [increase the impact of the work of the State Audit Office for the public benefit](#) – includes activities aimed at increasing the impact of the work of the State Audit Office on national and public processes by working on deeper integration and forging closer cooperation with stakeholders (the Saeima (Parliament), government, audited entities, non - governmental organizations, the mass media, academia, law enforcement, and collegial bodies). This means greater mutual understanding, a common vision of common national goals and solutions developed in cooperation with these entities. Communication with stakeholders and the public plays a key role in building this cooperation.

The term of the State Audit Office's strategy seems short. These are four years or a cycle of one medium-sized audit, from commencement to the implementation of audit recommendations. However, thanks to the development of knowledge and technology, we can safely say that we will be a different organization in four years than we are today. We will have further improved our knowledge and solutions in the field of technology, which will allow us to improve efficiency and analyze data that is still difficult to access; we will actively follow the latest global trends in public sector auditing and ensure that public sector audits meet the best global standards. We will have contributed to the growth of each auditor of the State Audit Office and the support functions' staff. All those activities will

be provided under action line 4 – [ensure the efficient operation of the State Audit Office and promote the professional growth and motivation of employees under the conditions of new opportunities and challenges](#).

Team cohesion, a common understanding of the goals, mission, vision, and values of the State Audit Office play an important role in the implementation of the new strategy. Therefore, during the development of this Strategy, we have taken the opportunity to update our mission, vision, and values.

The State Audit Office will continue to be an important player in the international audit community in the new strategy period by investing resources in building the capacities of the supreme audit institutions of other countries, implementing the mandate as a Member of the EUROSAI Governing Board, and participating in INTOSAI cooperation formats. We appreciate the role of those activities, as they promote the growth of the State Audit Office and facilitate the achievement of Latvia's foreign policy goals.

In conclusion, we would like to thank all colleagues who have contributed to the development of the Strategy for 2022–2025 of the State Audit Office. This is truly a collaborative effort, and thus we are confident that we will be able to achieve our goals together.

On behalf of the Council of the State Audit Office,  
Auditor General Rolands Irklis



The Strategy for 2022–2025 of the State Audit Office (Strategy) is a medium-term development-planning document aiming to provide effective planning and implementation of the activities of the State Audit Office within the framework of its functions and tasks.

The Strategy sets out the overarching goal, action lines, and deliverables of the State Audit Office for the next four years. In turn, the Strategy Implementation Plan and the Annual Work Plan, which ensure the operational implementation of the Strategy, define the deliverables, performance indicators and activities.

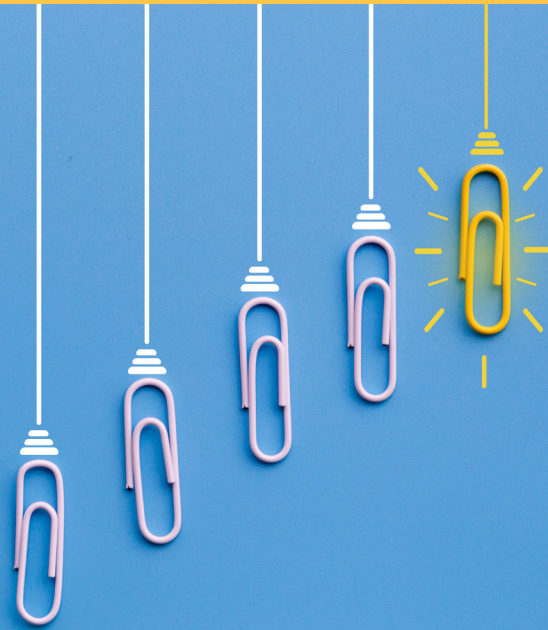
All employees of the State Audit Office and Members of the Public Council of the State Audit

Office have engaged in the process of developing the Strategy, because every opinion is important to us. At the same time, the employees of the State Audit Office and our consulting partners are ambassadors for the mission, vision, and values of the State Audit Office.

During the development of the Strategy, we assessed the current situation, performed a self-assessment in accordance with the Performance Measurement Framework (PMF), assessed the risks of the institutional operations, and organised work in groups by listening to both employees and representatives of the Public Council. The Strategy was developed in the following stages:

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

- ↑ Opinion of the Public Council of the State Audit Office
- ↑ Opinion of employees
- ↑ Work in groups according to the set action line
- ↑ Risk assessment according to the current strategy
- ↑ Assessment of current situation
- ↑ Self-assessment according to the Performance Measurement Framework<sup>1</sup>
- ↑ Assessment of the Quality Management System



# STATE AUDIT OFFICE



## Mission

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



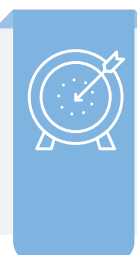
## Values

Accountability. Cooperation. Development.



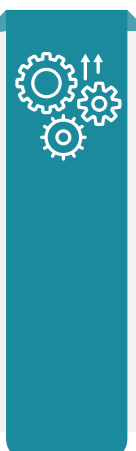
## Vision

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



## Strategic goal

The goal of the State Audit Office is the efficient, fair and legal operation of the public sector in the public interest.



## Action lines

1. Promote sound public spending to maximise benefits to the public.
2. Strengthen public confidence in the public sector by contributing to national integrity<sup>2</sup>.
3. Increase the impact of the work of the State Audit Office for the public benefit.
4. Ensure the efficient operation of the State Audit Office and promote the professional growth and motivation of employees under the conditions of new opportunities and challenges.

# 1. Action Line: Promote sound public spending to maximise the benefits to the public.

## Performance indicators



92% of the recommendations that the State Audit Office provides after an audit are implemented, including an increase of those introduced in the initial reporting period.



More than 90% of audits<sup>3</sup> are carried out in areas evaluated as high-risk.



The majority (over 50%) of surveyed state and administrative institutions admit that the audits of the State Audit Office have contributed to the efficient management of public funds.



Double financial return for every euro invested in ensuring the operation of the State Audit Office.

## Current situation

The approach to selecting topics for performance audits has relied on both a risk assessment and an assessment of the auditability of an issue up to now. The audits mostly assessed effectiveness, which was a reasonable approach, given the shortcomings identified so far in defining objectives for different sectors and areas. At the same time,

the assessment of economy and efficiency has only been possible in some audits.

Of the total resources spent on auditing, 67% of time is devoted to compliance and performance inspections in all types of audits.

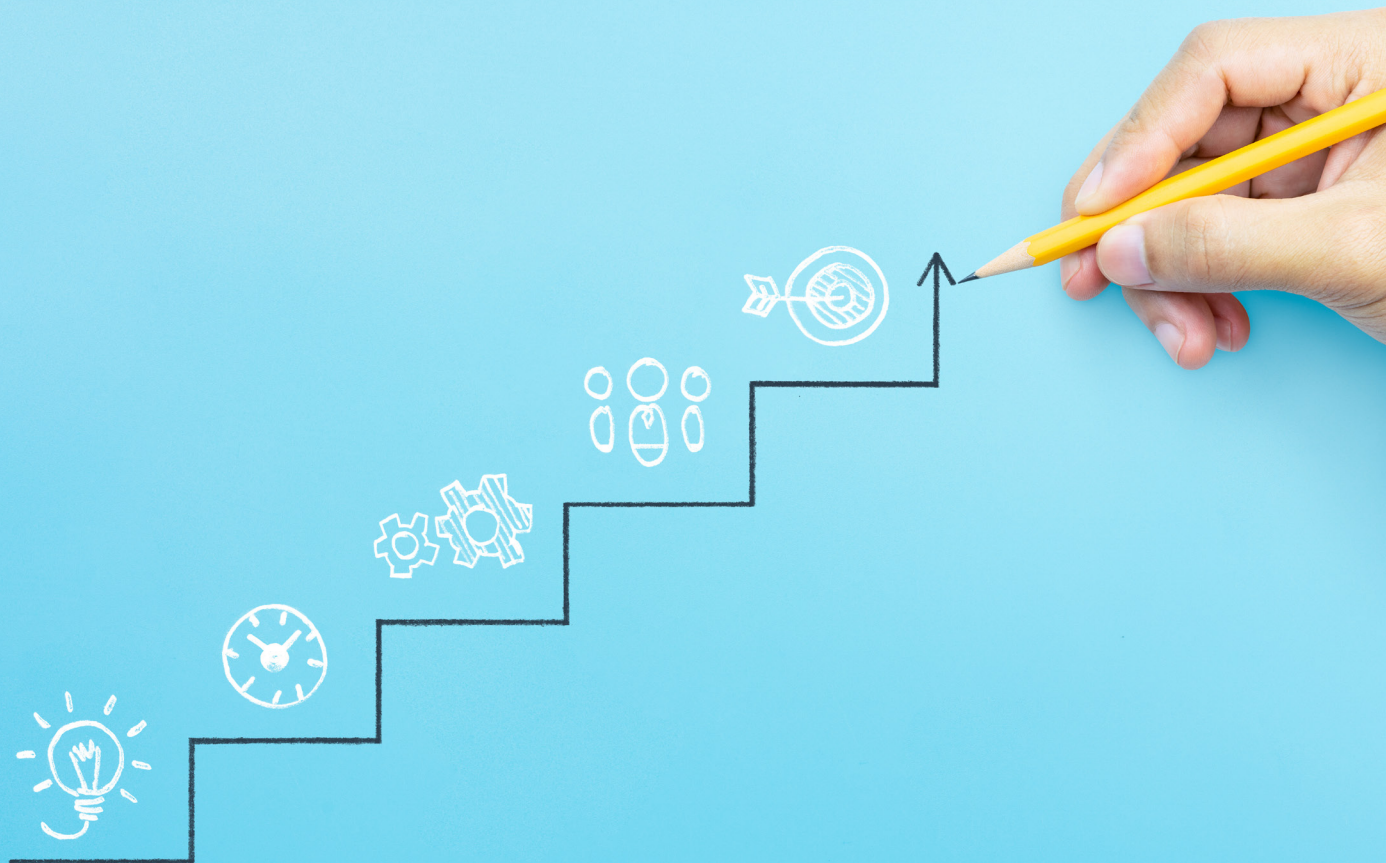
### What will we do?

We will improve the approach in relation to the selection of audit topics so that these decisions are based on comprehensive data analysis and risk assessment, as well as constructive discussions with colleagues and cooperation partners. We will develop skills in conducting performance audits and especially in evaluating issues of economy and effectiveness. In this way, our audits will make a greater contribution to optimising public sector costs and using resources in a rational manner.

### How will we do it?

We will identify audit topics focused on the principles of economy, effectiveness and efficiency, including identifying additional data required for sector/ area/ risk assessment, by providing access to them; updating the methodology for risk assessment and audit topic selection; involving partners in discussions.

We will perform audits that focus on assessing performance issues which result in the greatest possible benefit to the public, including comparisons with other (comparable) countries and assessing the extent to which internationally agreed goals have been met. We will devote at least 50% of the time spent on compliance and performance audits per year to assess performance issues.



### Why will we do it?

We will invest more resources in conducting performance audits, because it is important that public funds bring the greatest possible benefits to the public, and we can facilitate that with our work.

### What results do we intend to achieve?

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Experts from the relevant sectors and cooperation partners are involved in discussions during the strategic evaluation process of 30% of the audited areas.
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Balanced evaluation of effectiveness, economy and efficiency in assessing performance issues.
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Audits provide a comparison with other countries and assess the extent to which internationally agreed targets have been met.

## 2. Action Line: Strengthen public confidence in the public sector by contributing to national integrity

### Performance indicator



Representatives of non-governmental organizations and the sectors within the scope of the audit confirm that the audits performed by the State Audit Office have contributed to the facilitation of public trust.

### Current situation

The results of financial audits prove that there is an improvement in the quality of public sector financial reporting overall. We are finding fewer and fewer irregularities, and the number of clear audit reports continues to grow, reaching 19 out of 27 audit reports by 2020. Accounting in the public sector has also been adapted to the International Public Sector Accounting Standards (IPSAS), a commitment has been made at the state level to move towards centralisation of accounting, and the auditors of the State Audit Office have daily access to data in accounting information systems.

Increasingly since 2015, we pay attention to the assessment of compliance issues in financial audits. This pertains to significant transactions, activities and projects for which funding has been granted and spent, or the implementation of which significant actions have been taken. Yet, the amount of financial coverage is small, only about 5% of the funding allocated in the annual budget.

Until the implementation of the municipal reform, we conducted audits in each of the 119 local and regional governments at least once every three years. In 2021, after the territorial reform which was conducted in Latvia and reduced the number of local and regional governments to 43,

we released the Municipal Handbook and continue audit work providing the public with confidence in the regularity and efficiency of the funds spent for resolving issues important to the population.

We have reported on the violations of laws and regulations identified during the audits to the responsible authorities by encouraging the assessment and calling to account for alleged criminal offences, administrative violations and disciplinary violations.

By law (<https://likumi.lv/ta/en/en/id/62538>), we have been allocated new functions to decide on the recovery of losses and to recover losses incurred because of illegal actions, when the illegal actions have been established during the audits commenced after 31 July 2019.

The survey data show that 58% of the surveyed population agree that the work of the State Audit Office makes other institutions work more responsibly.

### What will we do?

We will work on a new approach for conducting financial audits by optimising our resources while maintaining the quality of financial auditing, changing the approach to conducting financial audit procedures in ministries and central government agencies significantly so that our resources are directed annually to key (based on value and risk assessment) institution audit work and the audit minor state institutions once every five years.

We will also model an approach to provide assurance on the use of the national budget funds in the next strategy period, in line with the purpose of the allocation, by setting a percentage of financial coverage, which will be further audited to provide such assurance.



We will develop closer co-operation with law enforcement authorities and other responsible institutions to forge and strengthen a common understanding of illegal, unacceptable and punishable actions in the public sector.

**How will we do it?**

We will improve the process of financial auditing by achieving savings in resources dedicated to financial audits and ensuring a high level of assurance on public sector financial data.

We will provide an assessment of the budget spending allocated to ministries and central government institutions, which provides support for quality decision-making in the budget development process.

We will conduct compliance audits by balancing the assessment of systemic, cross-cutting matters with prompt and focused compliance audits, including determination of the financial impact of recommendations where possible.

We will promote accountability to reduce and eradicate illegal actions in the public sector, including by establishing and maintaining a permanent cooperation mechanism with the Prosecutor’s Office of the Republic of Latvia and investigative institutions, as well as developing the practice of loss recovery.

**Why will we do it?**

The Law on Budget and Financial Management provides for faster deadlines for submitting annual

reports from 2024 (one month earlier for ministries, central government institutions, local and regional governments, and one and a half months earlier for submitting annual financial statements). Such changes are a good basis for reviewing the financial auditing in general, moving towards more efficient use of data accumulated in public administration and the development of a more focused audit approach while optimising the resources of the State Audit Office for conducting financial audits.

Regarding the assessment of violations, responsibility and accountability begins with every employee in the public sector. Consistent application of liability is a way to prevent new violations, and this inevitably contributes to the legal and efficient use of public funds.

**What results do we intend to achieve?**

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Financial audits provide one opinion about the annual consolidated financial statement.
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Prompt and focused compliance audits performed as needed.
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Loss recovery practices developed, and cooperation with law enforcement authorities strengthened.



### 3. Action Line: Increase the impact of the work of the State Audit Office for the public benefit.

#### Performance indicators



10% increase in the awareness of the audited entities and partner organizations about the results of the audits performed by the State Audit Office and their understanding of the objectives and tasks of the State Audit Office.



47% of respondents are informed about the work of the State Audit Office.

#### Current situation

Survey data show that 73% of opinion leaders believe in general that the State Audit Office explains the results of audits in a way that is sufficiently understandable to the public; 87% of opinion leaders consider that State Audit Office recommendations help state institutions to make better decisions; and 38% of the surveyed population trust the State Audit Office overall.

We have achieved that the audited entities implement at least 92% of the recommendations provided by the State Audit Office for the improvement of public governance.

Between 2018 and 2021, we have expanded our development of audit-based products to stimulate discussion among the legislator and public administration on structural reform processes.

We co-operate with the Saeima Committees and the Cabinet of Ministers and maintain co-operation with the Public Council to explain the audit results to co-operation partners and the public.

We are an internationally recognized partner in elected positions in the governing bodies of INTOSAI<sup>4</sup> (until 2021) and its regional organization EUROSAI<sup>5</sup>, providing professional input to INTOSAI and EUROSAI international working groups, as well as providing development and other support to the supreme audit institutions of other countries. We also actively participate in the Cooperation Platform of the Supreme Audit Institutions of the Member States of the European Union and the European Court of Auditors - the Contact Committee.

#### What will we do?

We will be an active participant in the public debate and a driver of public sector growth. We will ensure that the knowledge gained from audits is transferred to the public sector, increasing the impact of our work. The public will continue to be our partner in auditing, with whom we will talk openly about our work and to whom we will demonstrate the results of our joint work.

#### How will we do it?

[We will inform the public about the assessment by the State Audit Office regarding the useful, diligent and legal activities of the public sector in the public interest](#), inter alia by publishing information on the violations identified during the audits and the results of their evaluation, by submitting reports of the Auditor General on the work of the State Audit Office to the Saeima.

[We will inform the public about the impact of the audit recommendations that the State Audit Office provides](#), including by perfecting the Recommendation Platform as one of the communication tools, informing about the progress of the implementation of the recommendations, streamlining co-operation with Saeima

Committees, reporting on the implementation of recommendations.

We will co-operate with the state administration by explaining the results of the audit work and operating principles of the State Audit Office, including by drafting an informative material on the principles of risk assessment and by implementing awareness-raising activities on the principles of risk assessment in auditing and audit methodology.

We will provide professional support to supreme audit institutions and international organizations in auditing, including by providing capacity building activities (leading and participating in development projects, participating in the peer review<sup>6</sup> of other supreme audit institutions, implementing cooperation with other supreme audit institutions); participating in the governance of international organizations, audit bodies or INTOSAI Standing Committees (subcommittees), the audit of the financial statements of the NATO Multinational Division North and the OECD Audit Committee; sharing the experience of the State Audit Office in international events; and implementing public relation activities.

We will involve public representatives in the work of the State Audit Office, including by involving publicly active organizations and the population in the audit process; continue co-operation with the Members of the Public Council of the State Audit Office; developing co-operation with non-governmental organizations the interests of which correspond to the current audits of the State Audit Office; identifying international practices and experiences for cooperation with non-supreme audit institutions.

### Why will we do it?

We are aware of our constitutional duty to protect and administer public property, finances and

benefits in the interests of the people and take care of their management. To do this, we need to maintain a constant dialogue with the public to identify its interests and inform of the results of our work, and to strengthen good governance in the public sector beyond our audit work with our views and knowledge.

### What results do we intend to achieve?



Awareness-raising activities on the results of each<sup>7</sup> audit and at least 10 audit-based training and exchange of experience activities carried out every year.



At least 10 audit-based products developed each year.



At least five public awareness raising events in the international arena carried out every year.



At least 50% of compliance and performance audits<sup>8</sup> involve socially active organisations and citizens.



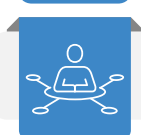
Annual involvement in the governance, audit bodies or committees and subcommittees of at least two international organisations.

## 4. Action Line: Ensure the efficient operation of the State Audit Office and promote the professional growth and motivation of employees under the conditions of new opportunities and challenges.

### Performance indicators



The employee involvement rate reaches more than 80%.



Increase in the engagement of employees<sup>9</sup>.

### Current situation

We were able to reduce the employee turnover rate and we have received a Letter of Recognition as one of the most attractive employers in Latvia in 2021.

In 2018, training commenced within the framework of the certification of the Heads of Sectors and auditors of the State Audit Office. In 2020, the first certificates were issued, thus confirming the knowledge and skills of employees to perform audits in accordance with the international public sector auditing standards recognized in Latvia.

In the spring of 2020, when the government declared a state of emergency due to COVID-19, we were able to reorientate our work completely both by working remotely and ensuring resumption of full-time work at the office with special security rules.

### What will we do?

We will continue developing the State Audit Office as a modern supreme audit institution, which is also a model for other state institutions. We will increase the effectiveness, efficiency and transparency of our work, implement more economical solutions

for the organization of our work, facilities and technical support solutions, as well as maintain high environmental, social and governance standards.

We will create a dynamic, challenging and achievement-oriented work environment.

### How will we do it?

We will safeguard the operation of the State Audit Office, which is a model for other institutions, including by regularly ensuring that the operation of the State Audit Office complies with the standards of supreme audit institutions and the principles of good governance, implementing initiatives for the development of an environmentally friendly or “green” institution.

We will create a work environment that helps the employees of the State Audit Office to develop, promotes internal communication and facilitates well-being, including the development of a people-oriented human capital management strategy based on the values of the State Audit Office.

We will provide for the implementation of training programs and exchange of experience that support the achievement of strategic goals and facilitate the sharing of knowledge and ensure continuity, including the acquisition of knowledge in data analysis and ICT.

We will build the capacity of the State Audit Office by using the knowledge and experience gained in international cooperation.

We will ensure a review of competency models and make improvements to the assessment system to safeguard data collection to support

the achievement of the organisation’s strategic objectives and the link between remuneration and individual contribution.

We will implement the development of information technology to ensure the possibility for employees to perform their work to the fullest, including through working remotely.


**Why will we do it?**


We will continue our mission and provide increasingly high-quality audit work in Latvia and at the international level.


We are demanding not only of other institutions, but also of ourselves. The rapidly changing environment, including the COVID-19 pandemic, the Green Deal and other conditions pose new challenges and demands for continuous development, responding to changes in the way we organize our work, among other things.

We will develop ever new IT solutions and services to ensure the full performance of professional duties, the storage and availability of information and data regardless of the workplace.

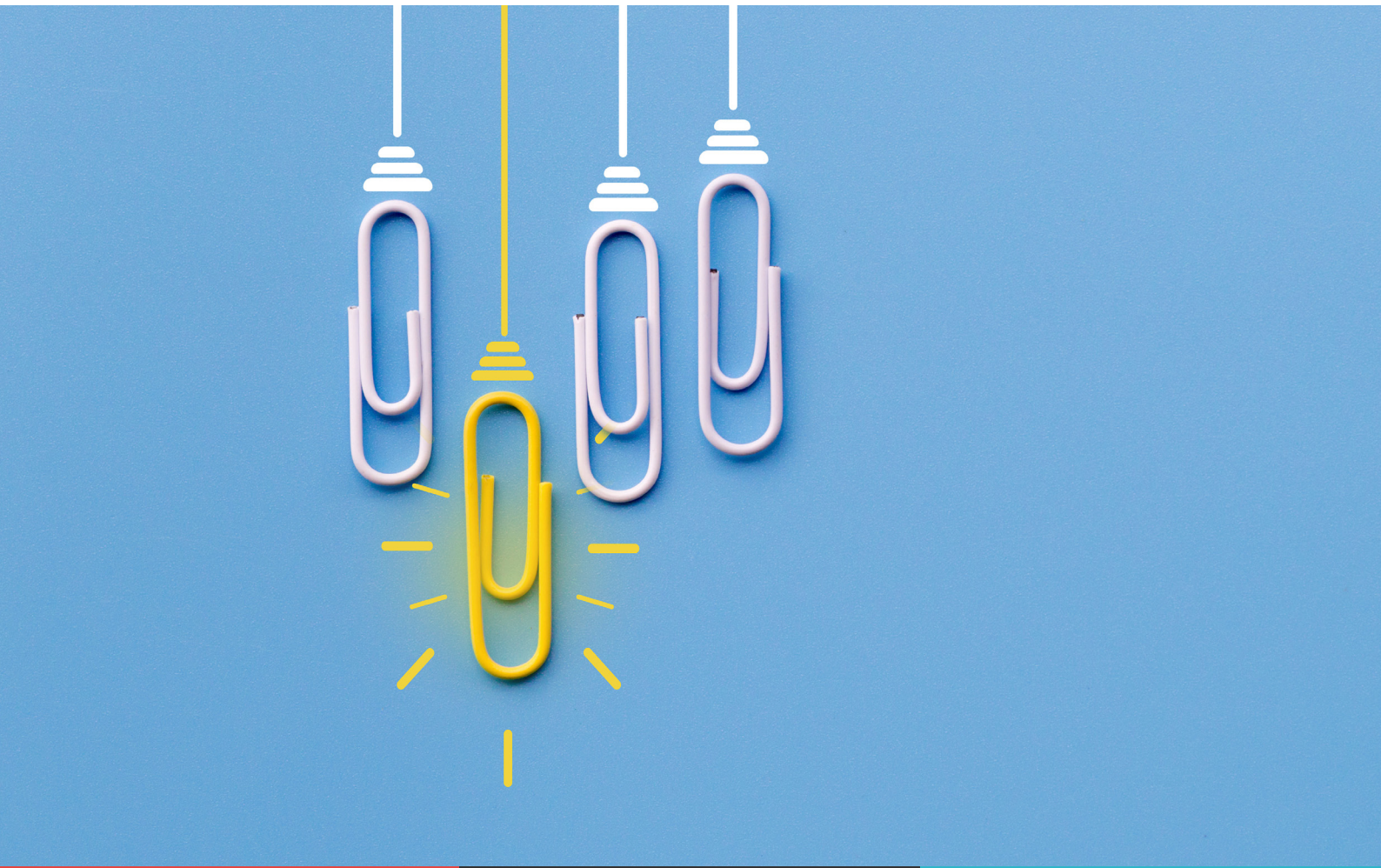
**What results do we intend to achieve?**

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11 development projects implemented (IT, sustainability, and green measures).
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The staff turnover rate does not exceed 13%.
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At least 20 advisory support activities implemented and information provided each year in cooperation with other supreme audit institutions (SAIs).



## References

1 IDI PMF – INTOSAI Development Initiative Performance Measurement Framework.

2 The term 'integrity' means 'integrity, act with integrity' in accordance with Sub-paragraph 5.2, Recommendation No 1 of the Cabinet of Ministers of 21 November 2018. "Basic Principles of Public Administration Values and Ethics" includes an explanation of this term. The audit report on Ethics and Integrity in Public Administration by the European Court of Auditors, the GRECO Fifth Round Evaluation Report, and the UN Convention against Corruption also use this term with relevant clarification.

3 This indicator applies to all types of audits except financial audits.

4 INTOSAI is an independent international organization of supreme audit institutions as the highest level of cooperation of external audit institutions.

5 EUROSAI is a regional organization of INTOSAI established in 1990 and currently comprising 51 members (50 European Supreme Audit Institutions and the European Court of Auditors).

6 International performance assessment.

7 Except in cases when an audit's status is delineated "restricted access" or contains information that is highly classified.

8 This includes combined (compliance/performance) audits up until and including the first quarter of 2023.

9 The employee engagement indicator is set and monitored in line with the TRI\*M Employee Commitment methodology.