



Latvijas Republikas  
Valsts kontrole

**Measuring impacts for the  
benefit of society:**

**Method to demonstrate  
SAIs productivity**

23.05.2022.

State Audit Office of the Republic of Latvia

# Strategic priority

**Strategy of State Audit Office (2022-2025)**: a medium-term policy document, which sets out the strategic objectives, priorities, and planned results of the State Audit Office for the next four year.

Issues related to audit recommendations and their impact built into **2 strategic objectives**:

- SO1: Promote sound public spending to maximize the benefits to the public.
- SO3: Increase the impact of the work of the State Audit Office for the public benefit.



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

Rīga 2021



State Audit Office  
Republic of Latvia

Strategy set two indicators for audit recommendations:



92% of the recommendations that the SAI Latvia provides after an audit are implemented, including an increase of those introduced in the initial reporting period



Double financial return for every euro invested in ensuring the operation of the SAI Latvia



Inform society on the implementation of audit recommendations:

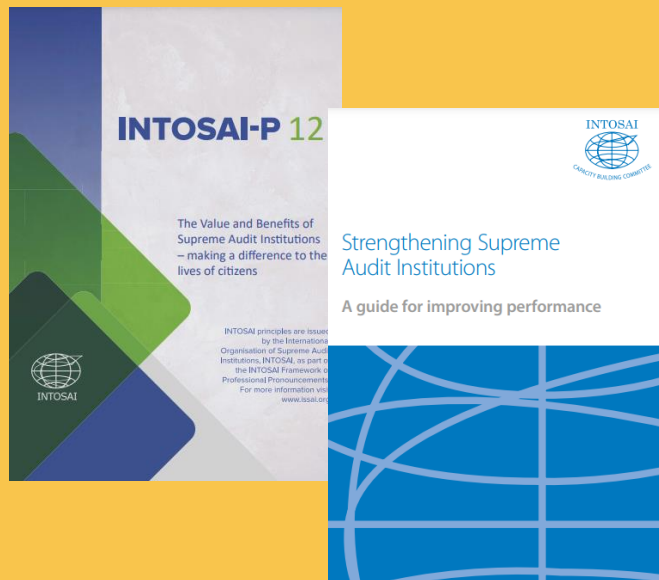
- Further develop the recommendation platform
- Elaborate cooperation with the Parliament (Saeima) in reporting on recommendations

# Why measure financial impact?

## INTOSAI-P 12

## INTOSAI CBC

Strengthening Supreme Audit Institutions: A guide for improving performance



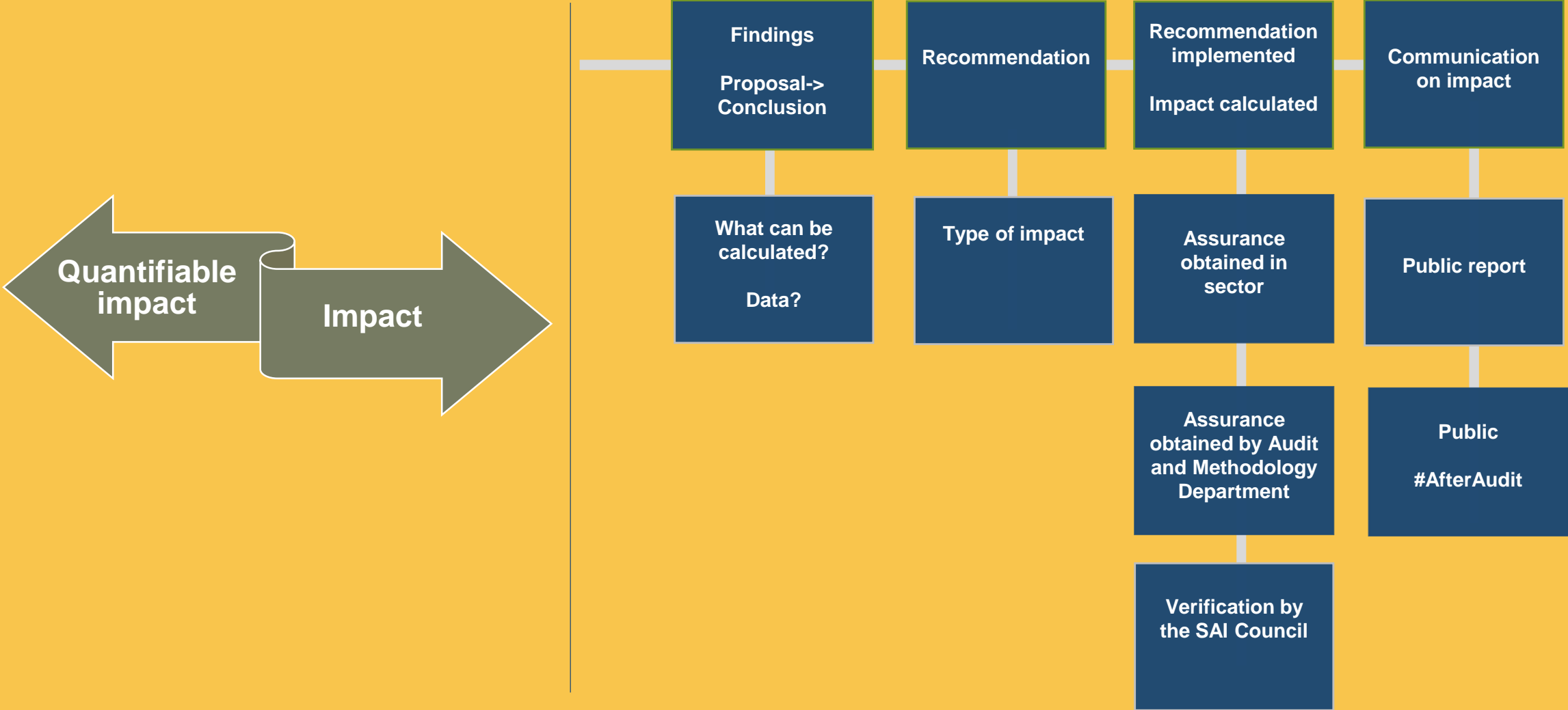
### Why?

- most easily recognized and calculated by the auditor
- easily understood by and explained to society
- by developing financial impact assessment skills, raise awareness of other types of impact generated from audit work

### What the financial impact shows:

- additional revenue and savings that the audited entities have achieved through implementation of the SAO's recommendations
- value and impact for society

# Impact of SAO's work



# Guidelines



Guidelines on defining the impact of SAI Latvia recommendations



User: SAI Latvia auditors



Purpose: to assist auditors in taking decisions on what type of impact is the most appropriate in each situation, under what circumstance the auditor can ascertain whether the impact can be attributed to results of the SAIs work, what considerations to take into account when defining the time period for which impact is calculated, how to determine the timing for calculations of impact, main principles to take into account for calculations, etc.

# During the audit

➤ Identification of audit topics

➤ Evidence gathering phase

➤ Audit report approval and publication phase

➤ Implementation of recommendations phase

➤ Calculation of impact phase

➤ Impact calculation review phase

# Algorithm & calculation impact

Impact identification algorithm

Type of impact also depends on the extent to which the auditor identifies/is aware of the consequences of deficiencies identified in the audit

1. Deficiencies identified in the audit (non-economical, inefficient, costly, overpaid, etc.)

- during preparation of audit proposal
- in audit plan
- at the state of obtaining audit evidence

2. What are the consequences of the deficiencies? Which one? E.g. damage, unnecessary expenses, slow processes, double work load, etc.

3. Are the consequences quantifiable? Policy planning documents, applications for policy initiatives, performance indicators, criteria for achieving goals, etc.

- calculations have been made by the audited entity, others involved, another sector that has to deal with the consequences, etc.
- if «not», can auditors make such calculations?

4. Audit provides a recommendation to address the identified deficiencies

5. Audited entity has implemented the recommendation thus preventing/reducing the consequences of deficiency and SAI Latvia can attribute the impact to the result of its work

6. Auditors make a calculation or rely on another calculation on the impact – financial impact, consumer benefits or economic impact

! Remember to consider significant costs, if any, that have been incurred to implement the recommendation



# The Process



October

Identification and approval of audit topics, each year

Audit

Implementation of the audit recommendations



31 March

No later than 31 March each year, the sector heads ensure data is entered and processed in *TeamMate*



Audit departments identify and calculate the financial impact of recommendations that have been introduced in the respective year and previous year(s)

# The Process



...s identify  
... financial  
...mendations  
...ntroduced in  
...ar and

Information is pooled from  
departments and collated by  
the Audit and Methodology  
Department

The data is presented and  
approved by the Council of  
SAI Latvia



# The Process



2022



presented and  
Council of

In 2022, data from 2021  
prepared on  
recommendations  
implemented which have a  
significant impact

Estimates are made by the  
auditor, reviewed and  
approved by the Council of  
SAI Latvia

# The Process



 **May 2022**

de by the  
and  
Council of

In May 2022, impact is  
approved by the Council of  
SAI Latvia

# Quantifiable impact indicator for the period of 2018-2021

- Quantifiable impact for 2018-2021 was calculated at € 110 300 710, including the impact achieved for citizens
- SAI Latvia's expenses € 26,4 mill.
- **Thus, the impact indicator is 1:4,2**

Data over the course of the Strategy period from 2018 - 2021:

Year	2018	2019	2020	2021	For the period
Number of implemented recommendations	36	19	25	34	The impact of each recommendation is attributed on average to a 3-year period
Planned	1:1,5	1:1,7	1:1,9	1:2	<b>1:2</b>
Actual	1:4	1:4,6	1:4	1:4,4	<b>1:4,2</b>
Proportion of the impact which benefits society (in milj euros)	16,15 mil.	26,80 mil.	18,95 mil.	16,05 mil.	<b>77,95 mil.</b>

# Types and examples of benefits

## THREE MAIN AREAS OF BENEFITS:

### ➤ SAVINGS TO BUDGET

A recommendation to Riga City Municipality to evaluate the usefulness of the foundation “Riga.lv”. Calculated impact in 2021 is € 1.3 million

### ➤ INCREASED REVENUE

A recommendation to State Revenue Service to evaluate the results of the Check lottery and decide on changes in the implementation of the lottery to achieve a better result. Preliminary impact on the state budget revenue is estimated around € 796,680 in 2021

### ➤ CONSUMER BENEFITS

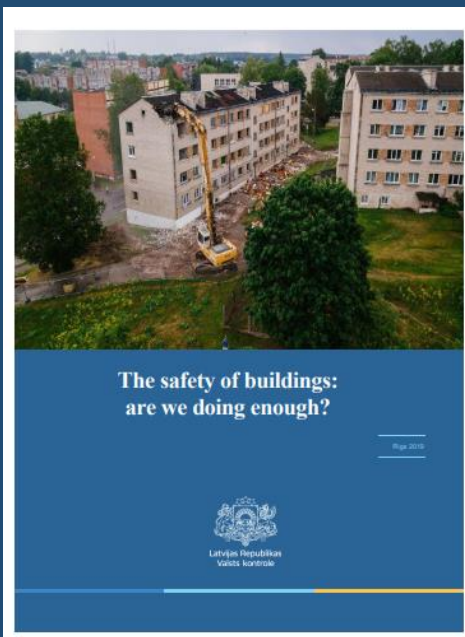
A recommendation to revise the cost of management arrangements for pension funds has the largest impact on the cost reduction of € 15.4 million

#### Description of types from 2021

Payment for services
Process optimization
Return of revenue to the budget
Re-calculation of allowances
Re-distribution of financing
Review of costs
Review of contract obligations
Process review
Termination of participation
Price list revision
Expropriation of real estate

# Example: Ministry of Economics

Audit «The safety of buildings: are we doing enough?» (2020)



**RECOMMENDATION** (for MoE) → Identify the problems affecting the safety of commissioned buildings and choose the most appropriate solutions to eliminate the problems

**RESULTS** → MoE developed an action plan with solutions - one of them: a support program with a total funding of 31 mil. euro within which owners of multi-apartment residential buildings can receive a loan to improve the technical condition of the dwelling

**RECOMMENDATION** (for local and regional governments) → to determine the condition of the apartment buildings under their management, to identify the investments necessary to ensure their technical condition, as well as to evaluate the economic efficiency of the investments

**RESULTS** → the condition of the houses, the necessary investments and the relocation of inhabitants from 20 houses have been determined, thus preventing the risk to inhabitants' life and health. In several cases, works have been planned and already carried out to improve the technical condition of the apartment buildings, including those where significant non-compliances were observed during the audit

**VISUAL MATERIAL: VK Ēku drošums**

# Example: Verification and validation of impact identified

## Valsts kontroles revīziju ieteikumu ietekmes atdeves rādītāja aprēķins par 2021.gadu

Atdeves rādītājs par 2021.gadu – **1:4,4**

(aprēķinātā ietekme 2021.gadā 28 504 351 *euro*, kopējie Valsts kontroles izdevumi 2021.gadā pēc naudas plūsmas 6 503 241 *euro*)

Aprēķinā iekļautajiem **27 ieteikumiem** (kopsumma 2021.gadā – 27 298 481 *euro*) ietekme tiks aprēķināta un attiecināta uz Valsts kontroles darbu arī turpmāk, savukārt astoņu ieteikumu (kopsumma 2021.gadā – 1 205 870 *euro*) ietekmes aprēķins noslēdzas ar 2021.gadu.

Sektors	Revīzija	Nr.	Ieteikums	Ietekme 2021.gadā, <i>euro</i>	Finanšu ietekme		Ieguvums iedzīvotājiem (vai sabiedrības grupai)	Vai pārejoša uz 2022.gadu? (jā/nē)
					izmaksu samazinājums	ieņēmumu palielinājums		
3.RD 1.sektors	Revīzija Nr. 2.4.1-10/2016 "Valsts politikas efektivitāte pensiju sistēmas ilgtspējas nodrošināšanai"	11	Labklājības ministrijai pārskatīt Pensiju 2.līmeņa līdzekļu pārvaldīšanas izmaksu aprēķināšanas kārtību	15 400 000	-	-	15 400 000	jā
4.RD 3.sektors	Revīzija Nr. 2.4.1-12/2018 "Rīgas pilsētas pašvaldības piešķirto dotāciju biedrībām un nodibinājumiem līdztība un lietderība"	26	Rīgas pilsētas pašvaldībai veikt turpmākās dalības nodibinājumā "Rīga.lv" lietderības izvērtējumu	1 321 480	1 321 480	-	-	jā
		27	[jauns] Rīgas pilsētas pašvaldībai veikt turpmākās dalības nodibinājumā "Rīgas Tūrisma Attīstības Birojs" lietderības izvērtējumu	2 890 387	2 890 387	-	-	jā
	Revīzija Nr. 2.4.1-14/2019 "Par Finanšu ministrijas 2019.gada pārskata sagatavošanas pareizību"	28	[jauns] Valsts ieņēmumu dienestam izvērtēt Čeku loterijas rezultātus un lemt par izmaiņām loterijas īstenošanā labāka rezultāta sasniegšanai	798 680	-	798 680	-	jā
RMD 1.sektors	Revīzija Nr. 2.4.1-34/2015 "Par Latvijas Republikas 2015.gada pārskatu par valsts budžeta izpildi un par pašvaldību budžetiem"	34	VID izveidot muitas deklarāciju datu atbilstības pārbaudes atlasē procesu, kurš balstīts uz muitas deklarācijā deklarētajiem darījumiem piemērojamiem nodokļu nenomaksāšanas riskiem, un datu atbilstības pārbaudes veikt muitas deklarācijām ar lielāko iespējamo nodokļu nenomaksāšanas risku	1 169 973	-	1 169 973	-	jā
...	....	...	.....	.....	.....	.....	.....	.....
<b>Kopā</b>				<b>28 504 351</b>	<b>9 554 585</b>	<b>2 903 596</b>	<b>16 046 170</b>	

Audit

Audit recommendation

Impact with benefit to society (or a group)

Impact – increase in revenue

Impact – increase in savings



Latvijas Republikas  
Valsts kontrole

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Thank you! Any questions?



**Other contributions, if of interest**





*Active parliament involvement is needed  
to achieve the recommendations results*

# Forms and frequency of relations with the parliament

The main counterpart for the  
State Audit Office

**Public Expenditure  
and Audit Committee  
(PEAC)**



**1-2**

visits each week



**60**

meetings in 2020 (45 with the PEAC)

## DISCUSSION THEMES

Audit reports

Reports on  
implementation of  
audit  
recommendations

Strategic and  
organizational  
initiatives /  
issues  
proposed by  
the State Audit  
Office

Non-audit  
products, e.g.  
discussion  
papers

Legislative  
initiatives, draft  
modification of  
laws

Initiatives of  
the  
Parliamentary  
Committees

# Audit reports and opinions



## Audit reports submitted to and reviewed by the PEAC

- ✓ Report / opinion on the Annual Consolidated Financial Statement of the State
- ✓ All financial audit reports / opinions
- ✓ All compliance and performance audit reports

On a number of occasions audit reports are reviewed in joint meetings of the PEAC and other Committees

### Agenda of meetings include:



- ✓ State Audit Office's presentation
- ✓ reflections by audited entities
- ✓ reflections by NGOs, academia, experts
- ✓ inquiries by MPs
- ✓ debate



## PEAC

- ✓ Sets deadlines for audited entities to report on implementation of the State Audit Office's recommendation
- ✓ May add its own recommendations to be implemented by audited entities
- ✓ Sets deadlines for the State Audit Office on providing assessment (view) on completeness of implementation of recommendations by audited entities

# Joint monitoring of recommendations

Progress' reports of auditees on implementation of recommendations submitted to and reviewed by the PEAC




Generally, one meeting devoted to recommendations from each audit

Progress' reports are drafted by audited entities within the deadlines and submitted to both – PEAC and State Audit Office

Progress' reports are reviewed by State Audit Office (implementation status – 'classified') and assessments submitted to the PEAC

On a number of occasions 'progress' reports are reviewed in joint meetings of the PEAC and other Committees



*Constructive relations between the SAIs and the audited entity  
increase the rate of successful completion*

## RECOMMENDATION PLATFORM

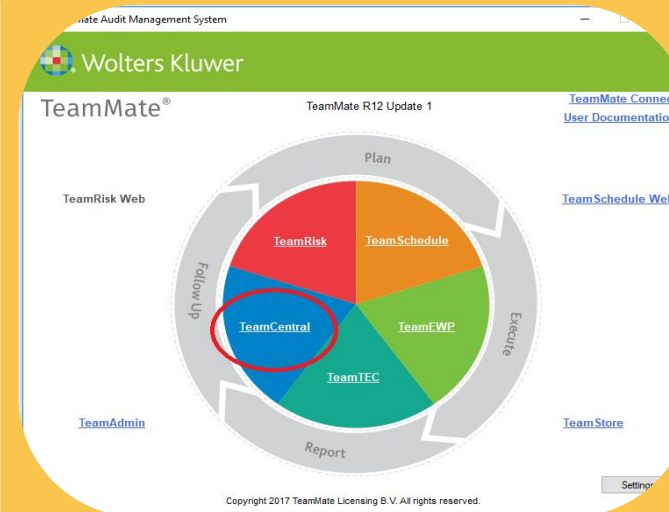
<https://lrvk.gov.lv/lv/ieteikumu-ieviesana/ieteikumu-platforma/ieteikumu-parskats>

Provides information on the recommendations made in the audits and the status of their implementation

Information updated twice a year:

- on 1 March (on the status of implementation of the recommendations until 31 December)
- on 1 September (on the status of implementation of the recommendations until 30 June).

If all recommendations are fully implemented, information about the specific audit will be removed from the platform.



### Recommendations provided in audits in Finance Ministry completed after 01.01.2018.

	NUMBER OF RECOMMENDATIONS PROVIDED	IMPLEMENTED	NUMBER OF RECOMMENDATIONS STILL TO BE IMPLEMENTED
<b>30.09.2021</b>			
<b>OF A TOTAL 8 FINANCIAL AUDITS (FROM 2018-2020)</b>	<b>79</b>	<b>31</b>	<b>31</b>
<b>OF TWO PERFORMANCE AND COMPLIANCE AUDITS DURING THIS PERIOD</b>	<b>22</b>	<b>18</b>	<b>4</b>
<b>Total</b>	<b>101</b>	<b>49</b>	<b>35</b>

