Ministry of Finance
Republic of Latvia

Performance Auditing: practice of Latvia

Chisinau, October 23, 2025

Arina Andreičika
Director of Internal Audit Department

Ministry of Finance
Republic of Latvia

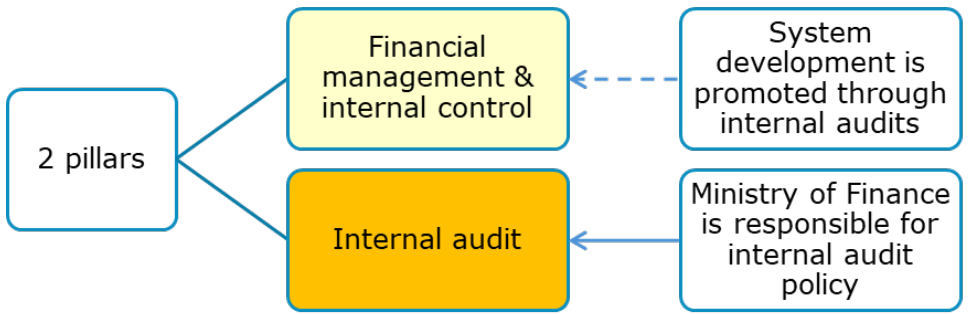
Presentation is about …

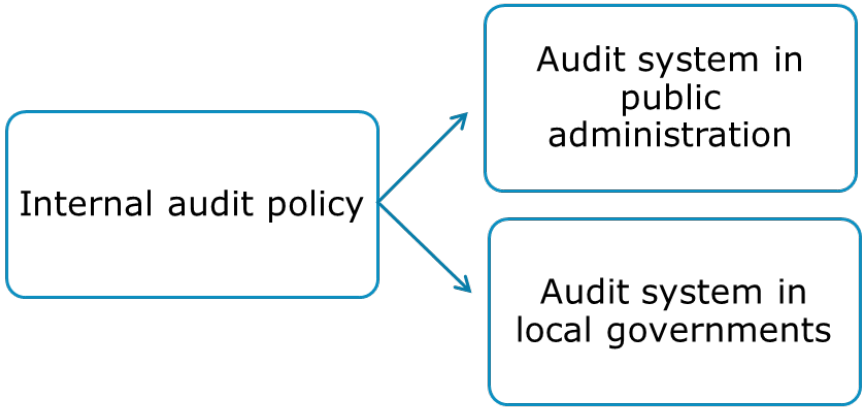
… A story of how the practice of performance auditing was introduced, implemented and developed in the public sector in Latvia. A marathon that has been started and continues by internal audit policymakers in Latvia.

Challenges and problems we faced, achievements, lessons learned and future plans.

Ministry of Finance
Republic of Latvia

About CHU in Latvia
Role, duties and responsibilities



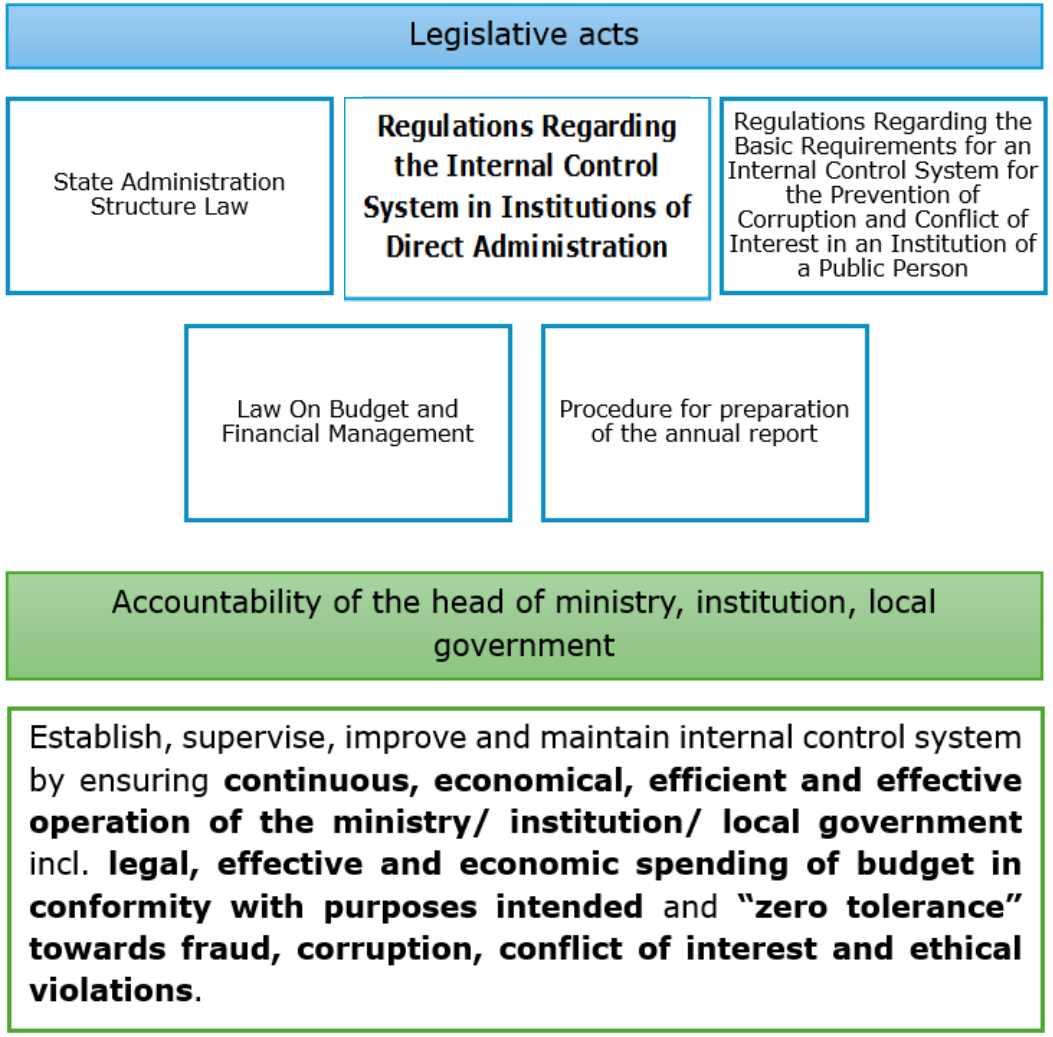


Tasks of the Ministry of Finance:

- develop internal audit **policy planning documents**;
- develop internal audit **regulatory acts**;
- prepare and submit to the Cabinet of Ministers a proposal on **joint priorities to be horizontally audited** in public administration;
- prepare and submit to the Cabinet of Ministers **an annual report on the activities of internal audit units** in ministries, institutions and local governments, including **the opinion of ministries, institutions and local governments on operation of established internal control system**;
- ensure **methodological guidance of internal auditors** (methodological guidelines, training, mentoring, networking among internal auditors);
- create and develop **a certification system for internal auditors** in public administration;
- ensure **an external compliance and quality assessments of internal audit units** of ministries, institutions and local governments;
- coordinate **activities between ministries, institutions and local governments** to ensure effective and consistent implementation of the internal audit system. < Support from the Internal Audit Council

Ministry of Finance
Republic of Latvia

System of Financial Management and Internal Control



- Initiative of the Internal Audit Department of the Ministry of Finance.
- Developed based on COSO model.
- Developed in cooperation with the State Chancellery, which is responsible for the development policy of public administration.
- Adopted in 2012.

Ministry of Finance
Republic of Latvia

Reform of internal auditing:
Transition from compliance audits to performance audits

Ministry of Finance
Republic of Latvia

Implementing performance audit practice step by step (I)

In order to bring wider attention and greater importance to this issue it was essential to raise the issue to a strategic level.

The task for institutions to assess 3E aspects within internal audits was included and strengthened in the strategic documents for the development and modernization of public administration:

- Public Administration Reform Plan 2020 (approved in 2017)
- Public Administration Modernization Plan 2023–2027 (approved in 2023)

Ministry of Finance
Republic of Latvia

Implementing performance audit practice step by step (II)

To ensure that performance audits are professional and of high quality, it was necessary to invest in knowledge and skills of internal auditors and raise awareness.

In cooperation with Austrian colleagues, were implemented several activities thus gaining international experience and practice:

- Seminars on performance auditing (organized in 2022).
- Performance audit guidelines (developed in 2022).
- Pilot performance audits in the Ministry of Foreign Affairs and the State Treasury (conducted in 2022-2023).
- Practical workshops on quantitative and qualitative analysis methods (organized in 2024-2025).
- Questions about performance auditing were included in training topics and certification exam of National certification system of internal auditors (since 2024).

Ministry of Finance
Republic of Latvia

Implementing performance audit practice step by step (III)

In order to encourage and achieve active action from the institutions, it was important to set an annual task.

Since 2018, each year, The Cabinet of Ministers issues an Order on joint audit priorities in public administration instructing institutions to assess 3E aspects in planned audits next year.

Ministry of Finance
Republic of Latvia

Joint audit priorities

Approach was implemented in 2010.

Joint audit priorities are raised by:

- evaluating results of the State Audit Office;
- evaluating internal audit strategies and implementation of them;
- analyzing available information on the internal control system weaknesses and their consequences;
- analyzing information on highest risks in public administration;
- as result of discussion with horizontal process owners for the management of high-risk activities (Ministry of Finance, State Treasury, State Chancellery, Anti-Corruption Bureau, Internal Audit Council, Ministry of Smart Administration and Regional Development).

Priority audits have been carried out in areas such as:

- ✓ information and communication technology project management;
- ✓ information and communication technology security management;
- ✓ organization, availability, quality of the public administration services;
- ✓ delegation of the public administration tasks;
- ✓ protection of personal data;
- ✓ planning and monitoring the achievement of macroeconomic outcomes, policy outcomes, outputs and performance indicators for policy areas;
- ✓ reduction of corruption and conflict of interest;
- ✓ risk management.

Ministry of Finance
Republic of Latvia

Joint audit priority 2025

- **Reducing administrative and bureaucratic burdens.**

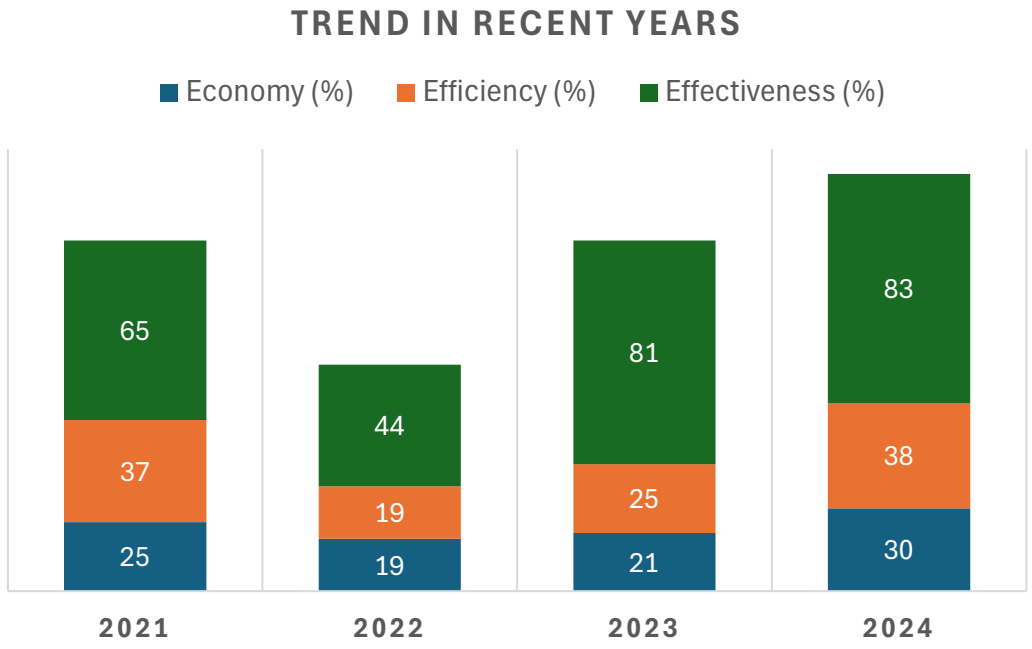
Ministry of Finance developed guide for internal auditors on calculating and reducing administrative and bureaucratic burdens and assessing cost effectiveness.

Ministry of Finance
Republic of Latvia

Implementing performance audit practice step by step (IV)

It is important to summarize and analyze the results of the work done to observe trends and inform the Government.

- Every year internal audit units submit MoF information on how many audits have assessed each of 3Es and what recommendations have been provided to promote cost savings, efficiency, and effectiveness.
- Statistics on 3E aspects are accumulated and analyzed to observe trends.
- The overall indicators are reflected in the annual report to the Cabinet of Ministers on the activities of internal audit units.



Ministry of Finance
Republic of Latvia

Inter-institutional cooperation in the field of internal audit

Problems we aware:

- limited internal audit resources;
- constantly extensive amount of work (in terms of auditable systems and institutions).

Solution:

Cross sectoral internal audit teams.

Teams and subject of internal audit is determined with an Order by the Cabinet of Ministers.

Each team agrees on:

- scope of work and the schedule for the tasks to be performed;
- composition of the team and the responsibility and division of duties of the internal auditors involved;
- methodology for conducting the internal audit and developing working documents;
- rights of access to information;
- method and channels of team communication and information exchange;
- conditions for storing the working documents to be prepared;
- communication with the senior management of institutions.

***Benefits for auditors**: exchange of knowledge and experience and adoption of good practice are promoted.*

Ministry of Finance
Republic of Latvia

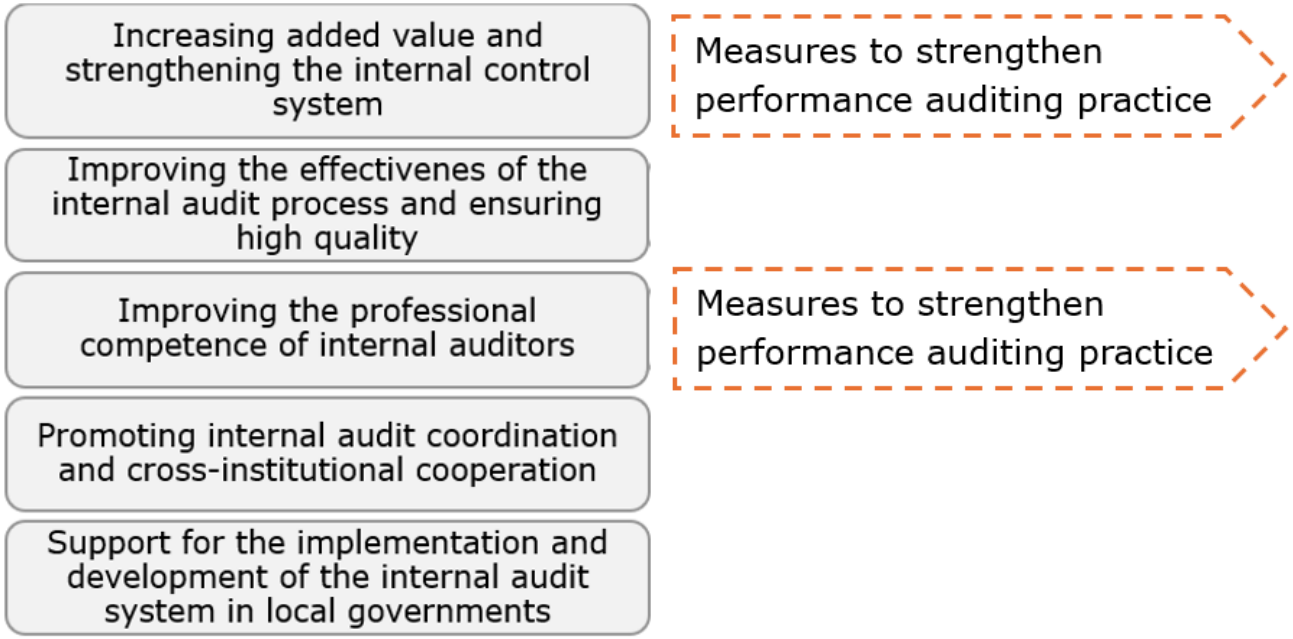
Development of internal audit and internal control systems

➢ Internal Audit System Development Plan for 2025-2028

PURPOSE:

- continue to develop a modern internal audit function in public administration institutions, increasing the level of maturity of the internal audit function of ministries and institutions;
- promote the development of the internal audit function in local governments.

DIRECTIONS OF ACTION:



Ministry of Finance
Republic of Latvia

Increasing added value and strengthening the internal control system

- Continue to develop performance audit practice, including promoting linkages between performance management, performance budgeting, performance auditing.
- Strengthen cooperation with the State Audit Office and the Audit Authority for European Union Funds, including by conducting joint audits and fostering reliance.

Ministry of Finance
Republic of Latvia

Thank you for your attention!

Arina Andreičika, Director of Internal Audit Department
E-mail: arina.andreicika@fm.gov.lv
Phone: (+371) 29463753