

## AUDIT REPORT

Riga

28.10.2010

No. 5.1-2-3/2010

### **Actions of national and municipal authorities to ensure the fulfilment of the obligations under the Loan Agreement “Safety Net and Social Sector Reform Program” between the Republic of Latvia and the World Bank and the World Bank Program Document**

#### **Legal Justification of the Audit**

1. Pursuant to Section 2 of the State Audit Office Law and Audit Assignment No. 5.1-2-3/2010 of the Third Audit Department of the State Audit Office on 19 April 2010, a legality audit has been conducted with respect to the actions of national and municipal authorities towards ensuring the fulfilment of obligations under the Loan Agreement “Safety Net and Social Sector Reform Program” between the Republic of Latvia and the World Bank and the World Bank Program Document.
2. The audit was conducted by the head of the audit team: Senior State Auditor of the First Sector of the Third Audit Department Kristiāna Rūme, Senior State Auditor–Lawyer Ieva Pīpiķe; State Auditors Kristīne Balode, Vera Germova (on the audit team until 14 September 2010), Kristīne Greitāne, Laima Zeimule-Priževoite, Aiga Villa and Jekaterina Ždanoviča, Senior State Auditor of the Second Sector of the Fifth Audit Department Māris Zelčs, Head of the Second Sector of the Audit Methodology, Analysis and Development Department Ingrīda Kalniņa-Junga (on the audit team until 17 September 2010), Information Systems Auditor Oļegs Gaidučenko and Desk Officer Oskars Mārtinsons.

#### **Audit Objective**

3. To ascertain whether the responsible national and municipal authorities have undertaken the measures specified in the Program Document<sup>1</sup> approved by the International Bank for Reconstruction and Development (World Bank) (hereinafter: Programme Document) and ensured that the prescribed performance goals be attained, thus ensuring the fulfilment of the obligations specified by the Loan Agreement: Safety Net and Social Sector Reform Program,<sup>2</sup> between the Republic of Latvia and the World Bank (hereinafter: Loan Agreement).

#### **Accountability of the State Audit Office Auditors**

4. The State Audit Office Auditors are responsible for providing the audit report, which is based on appropriate, sufficient and credible audit evidence obtained during the audit.

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<sup>1</sup> Program document for the first special development policy loan in the amount of EUR 100 million as part of a proposed lending program of two loans to the Republic of Latvia to support a safety net and social sector reform program. Approved on 12.02.2010.

<sup>2</sup> Loan Agreement Safety Net and Social Sector Reform Program First Development Policy Loan, concluded on 12.03.2010 between the Republic of Latvia and the International Bank for Reconstruction and Development (World Bank).

## **Accountability of the Audited Unit**

5. The Ministry of Regional Development and Local Government, the institutions involved in implementing the measures – municipalities, Ministry of Welfare, Ministry of Education and Science, Ministry of Health – and their subordinated bodies are responsible for compliance with regulatory enactments and for the accuracy of the information provided to the auditors.

## **Scope of the Audit**

6. The audit has been conducted in accordance with international auditing standards recognised in the Republic of Latvia. The audit was planned and conducted so as to provide reasonable assurance that the national and municipal authorities have implemented the measures specified in the Program Document and ensured the fulfilment of the prescribed performance targets, thus ensuring the fulfilment of the obligations specified by the Loan Agreement: Safety Net and Social Sector Reform Program, First Development Policy Loan, between the Republic of Latvia and the World Bank. The usefulness and efficiency of the implementation of the measures specified in the Social Safety Net Strategy<sup>3</sup> (hereinafter: Strategy) in attaining the objectives prescribed in the Strategy were not assessed by the audit.
7. The audit was conducted in the time period between 01 January 2010 and 30 June 2010.
8. In the course of the audit, inspections were carried out to ascertain and verify the following:
  - 8.1. whether implementation of the measures and attainment of the performance targets specified in the Program Document was ensured by 30 June 2010;
  - 8.2. whether the status of a needy family (person) and the allowance to ensure the level of guaranteed minimum income (hereinafter: GMI allowance) have been granted in compliance with the provisions of regulatory enactments<sup>4</sup>;
  - 8.3. whether the measure “Stipend-funded work practice in municipalities” has been implemented in compliance with the provisions of regulatory enactments<sup>5</sup>;
  - 8.4. whether the compensation for the transportation of the students of eliminated general and vocational educational institutions, carried out using vehicles that are at the disposal of the municipality or by procuring the service from transportation service providers, has been disbursed solely for the transportation of the pupils of the closed or reorganised schools;

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<sup>3</sup> “Social Safety Net Strategy”, approved by §78 of Protocol Decision No. 56 of the Cabinet of Ministers Meeting of 08 September 2009.

<sup>4</sup> The Social Services and Social Assistance Law; Cabinet of Ministers Regulations No. 299 of 30 March 2010 “Recognition of a Family or Person Living Separately as Needy” (in effect since 01 April 2010); Cabinet of Ministers Regulations No. 214 of 03 March 2009 “Recognition of a Family or Person Living Separately as Needy” (in effect until 31 March 2010); and Cabinet of Ministers Regulations No. 550 of 17 June 2009 “Procedures for Granting and Payment of the Allowance to Ensure Guaranteed Minimum Income Level and for Concluding the Cooperation Agreement”.

<sup>5</sup> The Support for Unemployed Persons and Persons Seeking Employment Law; Cabinet of Ministers Regulations No. 166 of 10 March 2008 “Regulations Regarding the Procedures for Organising and Financing of Active Employment Measures and Preventative Measures for Unemployment Reduction and Principles for Selection of Implementing Bodies of Measures”; and Cabinet of Ministers Regulations No. 774 of 14 July 2009 “Regulations Regarding Stage One of the Activity ‘Support for the implementation of regional action plans for promotion of employment’ of Supplement 1.3.1.5 to the Operational Programme ‘Human Resources and Employment’”.

- 8.5. whether the government budget stipends for higher education studies have been granted according to priority and in compliance with the established sequence to persons who fulfil the social criteria (low family income, disability, etc.) referred to in the Cabinet of Ministers Regulations<sup>6</sup>;
  - 8.6. whether after 26 April 2010, when the amendments to the Cabinet of Ministers Regulation<sup>7</sup> came into effect, certifications by municipal social services regarding the qualification of a person's (his or her family's) income to receive healthcare benefits have been issued only against verification of the existence of a certain income level of the person (his or her family), thus achieving the objective of the amendments<sup>8</sup> to the Cabinet of Ministers Regulations: to simplify the certification process for the receipt of healthcare benefits;
  - 8.7. whether the requirement of the Cabinet of Ministers Regulation<sup>9</sup>, obligating general practitioners to create and maintain a list of needy persons registered with the respective general practitioner and to submit it to the Health Payment Centre twice a year, is not merely a formal one and whether it ensures that the accumulated data can be used for obtaining further benefits in the area of health or for analysing health services received by a specific group of individuals;
  - 8.8. whether the tariff established by the Cabinet of Ministers Regulation<sup>10</sup> for the service "Accommodation expenses when receiving outpatient healthcare services, for needy persons and low-income persons and persons accompanying them", in the amount of LVL 9.40, has been established to reflect the actual cost of providing the aforementioned service.
9. In the course of the audit, inspections
    - 9.1. regarding the actions of municipalities when passing the decision regarding the granting of the status of a needy family (person) and the GMI allowance were carried out at the municipal authorities of Aloja Municipality, Alūksne Municipality, Babīte Municipality, Bauska Municipality, Cēsaine Municipality, Daugavpils Municipality, Dobele Municipality, Gulbene Municipality, City of Jelgava, Jelgava Municipality, Kuldīga Municipality, Limbaži Municipality, Mārupe Municipality, Ogre Municipality, City of Riga, Saldus Municipality, Sigulda Municipality, Talsi Municipality and Ērgļi Municipality;
    - 9.2. regarding the implementation of the measure "Stipend-funded work practice in municipalities" were carried out at the municipal authorities of Gulbene Municipality, City of Jelgava, Kocēni Municipality, Kuldīga Municipality,

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<sup>6</sup> Paragraph 3 of Cabinet of Ministers Regulations No. 740 of 24 August 2004 "Regulations Regarding Stipends".

<sup>7</sup> Cabinet of Ministers Regulations No. 379 of 20 April 2010, Amendments to Cabinet of Ministers Regulations No. 1046 of 19 December 2006 "Procedures for Organising and Financing Health Care" (in effect since 26 April 2010).

<sup>8</sup> Cabinet of Ministers Regulations No. 379 of 20 April 2010 "Amendments to Cabinet of Ministers Regulations No. 1046 of 19 December 2006, Procedures for Organising and Financing Health Care" (in effect since 26 April 2010).

<sup>9</sup> Sub-Paragraph 15.1 and Paragraph 16 of Annex 15 to the Cabinet of Ministers Regulations No. 1046 of 19 December 2006 "Procedures for Organising and Financing Health Care".

<sup>10</sup> Paragraphs 3080 and 3174<sup>1</sup> of Annex 18 to Cabinet of Ministers Regulations No. 1046 of 19 December 2006 "Regulations for Organising and Financing Health Care" (the revision in effect as of 26 April 2010).

City of Liepāja, City of Riga, Saldus Municipality, Smiltene Municipality and Talsi Municipality;

- 9.3. regarding the provision of transportation to the students of reorganised and eliminated general and vocational educational institutions were carried out at the municipal authorities of Kocēni Municipality, Kuldīga Municipality, Rundāle Municipality, Sala Municipality, Saldus Municipality, Smiltene Municipality, Strenči Municipality, Talsi Municipality, Tukums Municipality and Ventspils Municipality;
- 9.4. regarding the granting of government budget stipends for higher education were carried out at the Rezekne Higher Education Institution, Rīga Stradiņš University, Rīga Technical College, Vidzeme University of Applied Sciences and SIA Biznesa augstskola Turība (Turība School of Business Administration) (Uniform Reg. No. 40003135880);
- 9.5. regarding the provision of the service “Accommodation expenses when receiving outpatient healthcare services, for needy persons and low-income persons and persons accompanying them” were carried out by forwarding survey questionnaires to the Municipal SIA Irlavas Sarkanā Krusta slimnīca (Irlava Red Cross Hospital) (Uniform Reg. No. 40003249082), LLC “Kuldīgas slimnīca” (Kuldīga Hospital) (Uniform Reg. No. 50003197651), SIA Liepājas reģionālā slimnīca (Liepāja Regional Hospital) (Uniform Reg. No. 52103046841), SIA Priekules slimnīca (Priekule Hospital) (Uniform Reg. No. 40003218218), SIA Saldus medicīnas centrs (Saldus Medical Centre) (Uniform Reg. No. 40003187473), Municipal SIA Ādažu slimnīca (Ādaži Hospital) (Uniform Reg. No. 40003131022), SIA Akrona 12 (Uniform Reg. No. 40003297133), JSC EZRA-SK Rīgas slimnīca “Bikur Holim” (EZRA-SK Riga Bikur Holim Hospital) (Uniform Reg. No. 40003089399), SIA Jūrmalas slimnīca (Jūrmala Hospital) (Uniform Reg. No. 40003220000), SIA Krimuldas rehabilitācijas centrs (Krimulda Rehabilitation Centre) (Uniform Reg. No. 50003272451), SIA Lags-Centrs (Uniform Reg. No. 40003075401), A/S Latvijas Jūras medicīnas centrs (Latvian Maritime Medical Centre) (Uniform Reg. No. 40003306807), State SIA Nacionālais rehabilitācijas centrs “Vaivari” (National Rehabilitation Centre “Vaivari”) (Uniform Reg. No. 40003273900), SIA Neurožu klīnika (Neuroses Clinic) (Uniform Reg. No. 40003461335), SIA Sanare KRC Jaunķemeri (Uniform Reg. No. 42803001859), Municipal SIA Saulkrastu slimnīca (Saulkrasti Hospital) (Uniform Reg. No. 40003124779), State SIA Traumatoloģijas un ortopēdijas slimnīca (Hospital of Traumatology and Orthopaedics) (Uniform Reg. No. 40003410729), SIA Rīgas Austrumu klīniskā universitātes slimnīca (Riga Eastern Clinical University Hospital) (Uniform Reg. No. 40003951628), Riga Municipal SIA Rīgas 1.slimnīca (Riga Hospital No. 1) (Uniform Reg. No. 40003439279), Riga Municipal SIA Rīgas 2.slimnīca (Riga Hospital No. 2) (Uniform Reg. No. 40003184960), SIA Latvijas Amerikas acu centrs (Latvian American Eye Centre) (Uniform Reg. No. 40003164837), SIA Daugavpils reģionālā slimnīca (Daugavpils Regional Hospital) (Uniform Reg. No. 41503029600), SIA Rēzeknes slimnīca (Rēzekne Hospital) (Uniform Reg. No. 40003223971), SIA Krāslavas slimnīca (Krāslava Hospital) (Uniform Reg. No. 41503032140), SIA Ludzas rajona slimnīca (Ludza District Hospital) (Uniform Reg. No. 40003258973), SIA Kārsavas slimnīca (Kārsava Hospital) (Uniform Reg. No. 40003257732), SIA Zilupes veselības un sociālās aprūpes centrs (Zilupe

Centre for Health and Social Care) (Uniform Reg. No. 40003257677), SIA Preiļu slimnīca (Preiļi Hospital) (Uniform Reg. No. 40003244761), State SIA Latgales novada rehabilitācijas centrs "Rāzna" (Latgale Regional Rehabilitation Centre "Rāzna") (Uniform Reg. No. 40003275348), Rēzekne District Municipal SIA Viļānu slimnīca (Viļāni Hospital) (Uniform Reg. No. 40003235190), SIA Vidzemes slimnīca (Vidzeme Hospital) (Uniform Reg. No. 40003258333), SIA Balvu un Gulbenes slimnīcu apvienība (Amalgamated Balvi and Gulbene Hospitals) (Uniform Reg. No. 44103058086), SIA Cēsu klīnika (Cēsis Clinic) (Uniform Reg. No. 44103057729), SIA Rehabilitācijas centrs "Līgatne" (Rehabilitation Centre "Līgatne") (Uniform Reg. No. 40003273506), SIA Limbažu slimnīca (Limbaži Hospital) (Uniform Reg. No. 40003361616), Madona Municipal SIA Madonas slimnīca (Madona Hospital) (Uniform Reg. No. 40003356507), SIA Varakļānu veselības aprūpes centrs (Varakļāni Health Care Centre) (Uniform Reg. No. 40003365196), Ērgļi Municipal SIA Ērgļu slimnīca (Ērgļi Hospital) (Uniform Reg. No. 50003292941), SIA Mazsalacas slimnīca (Mazsalaca Hospital) (Uniform Reg. No. 40003261206), SIA Aizkraukles slimnīca (Aizkraukle Hospital) (Uniform Reg. No. 40003255337), SIA Bauskas slimnīca (Bauska Hospital) (Uniform Reg. No. 43603017682), SIA Dobeles un apkārtnes slimnīca (Dobele and Area Hospital) (Uniform Reg. No. 40003551323), State SIA Rehabilitācijas centrs "Tērvete" (Rehabilitation Centre "Tērvete") (Uniform Reg. No. 40003275352), SIA Aknīstes veselības un sociālās aprūpes centrs (Aknīste Centre for Health and Social Care) (Uniform Reg. No. 40003331306) and SIA Viesītes veselības un sociālās aprūpes centrs (Viesīte Centre for Health and Social Care) (Uniform Reg. No. 40003325367);

- 9.6. regarding the actions of municipal social services when issuing certifications regarding the qualification of a person's (his or her family's) income to receive healthcare benefits were carried out at the municipal authorities of Aloja Municipality, Alūksne Municipality, Babīte Municipality, Bauska Municipality, Cesvaine Municipality, Daugavpils Municipality, Dobele Municipality, Gulbene Municipality, City of Jelgava, Jelgava Municipality, Kuldīga Municipality, Limbaži Municipality, Mārupe Municipality, Ogre Municipality, City of Riga, Saldus Municipality, Sigulda Municipality, Talsi Municipality and Ērgļi Municipality;
  - 9.7. regarding the implementation of the measure "creation of an additional (second) nurse's or physician's assistant's position at general medical practices" were carried out at the Health Payment Centre, evaluating the lists of needy persons submitted by general practitioners.
10. During the audit, the following information was received and used in data analysis:
- 10.1. information provided by 84 municipal authorities (see list of municipalities in Annex 1) from the information system "Social Services Administration System" (hereinafter: SSAS) on families (persons) which have been granted the status of a needy family (person) and on families (persons) which have been granted the GMI allowance;
  - 10.2. information accumulated in Information System "Registered Unemployed Persons and Registered Job Vacancies" (hereinafter – IS Burvis) of the State Employment Agency regarding unemployed persons engaged in the measure "Stipend-funded work practice in municipalities";

- 10.3. information accumulated in the data bases of the State Social Insurance Agency regarding persons for whom mandatory contributions of state social insurance have been computed, persons who have been granted and paid the unemployment benefit, and persons who have been paid the state family allowance, the state social provision allowance, the state old-age pension, a disability pension, a sickness allowance and a maternity allowance;
- 10.4. information accumulated in the “Information System of Tractor Equipment, Attachments thereof and Tractor Drivers” of the State Agency “State Agency for Technical Surveillance” (hereinafter – SATS) regarding tractor equipment and attachments in the possession of persons;
- 10.5. information accumulated by the State Joint Stock Company Road Traffic Safety Directorate (Uniform Reg. No. 40003345734) (hereinafter – RTSD) regarding motor vehicles owned and/or held by persons;
- 10.6. information accumulated in the registration system “Population Register” of the Office of Citizenship and Migration Affairs regarding the status of persons;
- 10.7. information accumulated in the information system “Register of Applicants and Debtors to the Maintenance Guarantee Fund” of the Administration of the Maintenance Guarantee Fund regarding maintenance funds disbursed to persons.

### **Limitations of the Audit**

11. No inspections were carried out during the audit to ascertain whether the funds provided for in the Strategy have been used solely for the funding of healthcare services received by needy and low-income persons. As no unified information system has been created in the country accumulating information on persons who have been granted the status of a needy or low-income person, this information can only be verified at medical institutions (pharmacies) by inspecting patient cards and medicine prescriptions, which contain sensitive information regarding the person’s diagnosis and are not available and verifiable as a document for obtaining audit evidence.
12. No inspections were carried out as part of the audit to ascertain whether, in accordance with Cabinet of Ministers Regulations,<sup>11</sup> the payment made to medical institutions for the services provided at home by a physician’s assistant or a nurse, which is covered from funds provided for in the Strategy, are made for no more than two home visits within a 24-hour period. As the said risk can only be verified by carrying out detailed inspections at medical institutions, and outpatient and patient cards contain sensitive information regarding the person’s diagnosis, they are not available and verifiable for obtaining audit evidence.

### **Summary**

13. The responsible national and municipal authorities have ensured the implementation of the measures specified in the Strategy and the Program Document; however, substantial violations or deficiencies were detected during the audit, which affect the lawfulness of the decisions adopted as part of the measures and/or the use of funds, thus permitting unjustified use of state and municipal budget funds in the amount of LVL 462 167.28, of which:

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<sup>11</sup> Paragraph 3104 of Annex 18 to Cabinet of Ministers Regulations No. 1046 of 19 December 2006, Regulations for Organising and Financing Health Care (the revision in effect as of 03 October 2009).

- 13.1. in the period from 01 July 2009 to 30 June 2010, for the payment of unemployment benefits: LVL 342 088;
- 13.2. in the period from 01 January 2010 to 30 June 2010, for the payment of GMI allowances: LVL 116 371.75, and for compensations to municipalities for the transportation of the students of eliminated and reorganised schools: LVL 3 707.53.

*Lawfulness of the actions of the Ministry of Welfare and municipalities in implementing measures in the area of social assistance specified in the Strategy*

14. The internal control procedures created by municipal social services for evaluating the conformity of a family (person) to the status of a needy family (person) and eligibility for the GMI allowance do not guarantee the lawfulness of the decisions adopted. Therefore, of the 792 families included in the selection, between 01 January 2010 and 30 June 2010, 518 or 65 % of the families were granted the status of a needy family (person) unlawfully, of which 377 families were also unlawfully granted the GMI allowance for the total amount of LVL 116 371.75. Furthermore, the status of a needy family (person) is also a prerequisite for receiving other legal benefits prescribed by regulatory enactments, including relief on the payment of immovable property tax or with respect to healthcare services or compensated medicinal products and medicinal devices.
15. The regime of regulatory enactments,<sup>12</sup> which does not provide for the right of a municipal social service to suspend payments of the GMI allowance if the social position of the family (person) during the period of payment of the GMI allowance has improved and the per-capita income of the family exceeds the income level of a needy family (person), is incomplete and does not conform to the purpose of the provision of social assistance: *to provide social assistance only if the person seeking assistance is unable to help him- or herself and cannot obtain assistance from relatives; social assistance should provide a person with a minimum standard of living*, which has also been referred to by the Constitutional Court<sup>13</sup> when explaining the meaning of social assistance.
16. The procedures for evaluating the material position of a family (person) for the purposes of granting the status of a needy family (person) stipulated by the Cabinet of Ministers Regulations<sup>14</sup> is not complete and does not guarantee the equal treatment of all families (persons) applying for the status of a needy family (person), as the Cabinet of Ministers Regulations<sup>15</sup> provide for a limitation that the aforementioned status may be obtained by a family (person) that owns only one motor car, which has been in the ownership of the family (person) for more than 24 months, but does not provide limitations with respect to farming equipment in the ownership of a family (person), which can be used to provide for the basic needs of the family (person), as well as to earn income.

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<sup>12</sup> Social Services and Social Assistance Law and Cabinet of Ministers Regulations No. 550 of 17 June 2009 "Procedures for Granting and Payment of the Allowance to Ensure Guaranteed Minimum Income Level and for Concluding the Cooperation Agreement".

<sup>13</sup> Judgement of the Constitutional Court in Case No. 2006-10-03 on 11 December 2006, Sub-Paragraph 3.

<sup>14</sup> Paragraphs 2 and 19 of Cabinet of Ministers Regulations No. 299 of 30 March 2010 "Recognition of a Family or Person Living Separately as Needy" (in effect since 01 April 2004).

<sup>15</sup> Sub-Paragraph 19.4 of Cabinet of Ministers Regulations No. 299 of 30 March 2010 "Recognition of a Family or Person Living Separately as Needy" (in effect since 01 April 2004).

*Lawfulness of the actions of the Ministry of Welfare, its subordinated body, the State Employment Agency, and municipalities in implementing the measure in the area of employment specified in the Strategy*

17. The State Employment Agency and the municipalities engaged in implementing the measure “Stipend-funded work practice in municipalities” have not created internal control procedures to provide the following:
  - 17.1. creation of sites for work practice and involvement of individuals in the measure in accordance with Cabinet of Ministers Regulations<sup>16</sup> and the purpose of the measure; for example, although the purpose of the measure is to provide material assistance to those unemployed persons who are not entitled to receive the unemployment benefit and have no opportunity to earn income, the State Employment Agency has involved in the measure unemployed persons who either receive the unemployment benefit or have refused to receive it, or the unemployed person has been formerly employed at the same entity where the work practice is being organised;
  - 17.2. correspondence of the equipment procured as part of the measure to the tasks to be executed within the framework of the work practice; for example, even though the work tasks to be performed are not related to the ironing of garments, irons and ironing boards have been acquired as part of the measure.

*Conformity of the measure in the area of state social insurance specified in the Strategy to the fundamental principles of state social insurance and the Constitution*

18. The procedure prescribed in the law<sup>17</sup> for calculating the unemployment benefit, which provides that *until 31 December 2011 persons with the length of insurance period between one and (and including) 19 years, a fixed unemployment benefit in the amount of LVL 45 is paid in the final months of payment of the unemployment benefit*, which may be greater than the amount of the unemployment benefit received by the person in the first months of payment of the unemployment benefit, when the amount of the benefit is calculated in proportion to the state social insurance contributions made, does not comply with the fundamental principles of state social insurance and the principle of equality established in the Constitution<sup>18</sup>. Thus, in the period between 01 July 2009 and 30 June 2010, 6,788 persons with the length of insurance period up to 19 years were granted unemployment benefits that do not correspond to the state social insurance contributions made, the total of which exceeds the unemployment benefit granted in proportion of state social insurance contributions made by LVL 342 088; also, the aforementioned persons have been placed in a more advantageous and more equal position than persons with the length of insurance period exceeding 20 years, for whom unemployment benefits are calculated solely in proportion to the state social insurance contributions made, which does not guarantee them a minimum unemployment benefit of LVL 45 during the time when the unemployment benefit is paid. By paying the said benefits, which comply with the features of a state social assistance service specified by law<sup>19</sup>, from the funds of

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<sup>16</sup> Paragraphs 43<sup>2</sup> and 43<sup>4</sup> of Cabinet of Ministers Regulations No. 166 of 10 March 2008 “Regulations Regarding the Procedures for Organising and Financing of Active Employment Measures and Preventative Measures for Unemployment Reduction and Principles for Selection of Implementing Bodies of Measures”.

<sup>17</sup> Paragraph 12 of the Transitional Provisions of the Law on Unemployment Insurance.

<sup>18</sup> Article 91 of the Constitution of the Republic of Latvia.

<sup>19</sup> Section 11 of the Law on Social Security.



the special budget, the rational use of funds and sustainability of the special budget are not being ensured.

*Lawfulness of the actions of the State Regional Development Agency, a body subordinated to the Ministry of Regional Development and Local Government, and of the municipalities in implementing the measures in the area of education specified in the Strategy*

19. The internal control procedures created by the State Regional Development Agency, a body subordinated to the Ministry of Regional Development and Local Government, are not sufficient and do not ensure that municipal authorities are compensated solely for expenses associated with the transportation of the students of eliminated or reorganised educational institutions and in conformity with supporting documentation, thus permitting that, in the period between 01 January 2010 and 30 June 2010, state budget funds in the amount of LVL 3 707.53 were unlawfully disbursed to the authorities of five municipalities; for example, expenses of transporting students of other educational institutions, not reorganised or eliminated, were compensated, or the cost of fuel was compensated that does not correspond to the supporting documentation for the fuel purchased.

*Lawfulness of the actions of the Ministry of Health, its subordinate bodies and municipalities in implementing the measures in the area of health specified in the Strategy*

20. The Ministry of Health, as an institution that implements state policy in the area of health, has failed in conjunction with municipalities to ensure that information is compiled across the country about certifications issued by municipal social services granting a person and his or her family members the right to receive healthcare services paid by the funds provided for in the Strategy, such as a waiver of the patient's contribution and patient's co-payment, or compensated medicinal products and medicinal devices without paying the patient's co-payment. Therefore, in planning the funding and volume of services necessary for the implementation of the health measures specified in the Strategy and in evaluating the results of the implementation of funding, the Ministry of Health has no access to objective data on the potential number of recipients of the services and the periods in which the services are received.
21. The internal control procedures created by municipal social services for evaluating the qualification of the income of a family (person) for receiving healthcare relief and for issuing a certification does not ensure the lawfulness of the decisions adopted. As medical institutions and pharmacies provide persons and their family members with health services based on the certification provided, there exists the risk of services being funded from funds provided for in the Strategy that are received by persons whose income pursuant to Cabinet of Ministers Regulations<sup>20</sup> does not qualify as income to be eligible for relief.
22. The procedure for the evaluation of general medical practices to grant additional funding to ensure the activities of a second nurse or physician's assistant, as

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<sup>20</sup> Paragraph 7<sup>6</sup> and Sub-Paragraph 10.18 of Cabinet of Ministers Regulations No. 1046 of 19 December 2006 "Regulations for Organising and Financing Health Care", and Paragraph 3<sup>2</sup> of Cabinet of Ministers Regulations No. 899 "Procedures for the Reimbursement of Expenditures for the Acquisition of Medicinal Products and Medicinal Devices Intended for Out-patient Medical Treatment".

stipulated in Cabinet of Ministers Regulations<sup>21</sup>, is not complete and does not ensure that a higher performance assessment is awarded to those general medical practices which, in compiling lists of needy patients registered with the general medical practice, have in cooperation with municipal social services identified the greatest possible number of needy patients registered with the medical practice. Therefore, in compiling lists of needy patients, the general practitioner has an interest to indicate only those patients who have received a healthcare service provided by the general medical practice within the period of evaluation.

23. For the implementation of the state budget funds allocated as part of the Strategy, the Ministry of Health and its subordinated bodies have specified a rate of LVL 9.40 for the service “*Accommodation expenses when receiving outpatient healthcare services, for needy persons and low-income persons and persons accompanying them*”, which exceeds the actual expenses of the medical institutions in providing the service; for example, at 22, or 50 %, of the medical institutions have set the service charge for persons providing own funding below the rate specified in Cabinet of Ministers Regulations<sup>22</sup>, besides, nine medical institutions have set the charge between LVL 3.50 and LVL 5, whereas 10 institutions have set it between LVL 5 and LVL 7.50. Moreover, the Ministry of Health has not made sure that medical institutions provide a uniform service in terms of content; for example, two of the 44 medical institutions only provide a bed as part of the service, whereas 18 medical institutions provide a bed, board and supervision by medical staff.

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<sup>21</sup> Sub-Paragraphs 15.1 and 15.4 and Paragraph 17 of Annex 15 to Cabinet of Ministers Regulations No. 1046 of 19 December 2006 “Procedures for Organising and Financing Health Care”.

<sup>22</sup> Paragraph 3080 and 3174<sup>1</sup> of Annex 18 to Cabinet of Ministers Regulations No. 1046 of 19 December 2006 “Regulations for Organising and Financing Health Care” (in the revision in effect as of 26 April 2010).