



Functional Audit: Case of Latvia

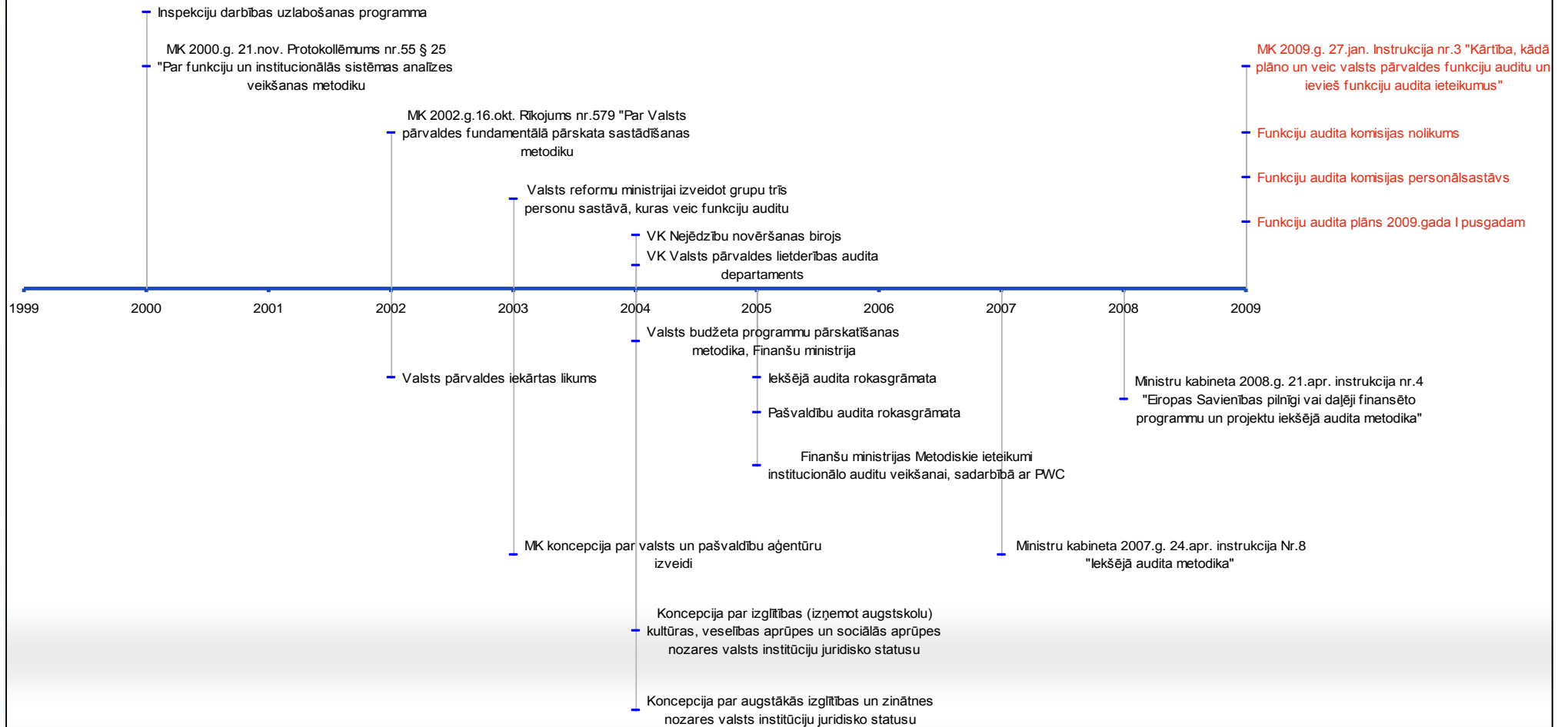


Zanda Ozola
Consultant, Policy Coordination
Department
Phone.:+371 67082974
E-mail: zanda.ozola@mk.gov.lv

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Brief history

Pēdējo 10 gadu laikā pieņemtie lēmumi, kas saistīti ar funkciju auditiem



Goals

■ Government: from victim of crisis to responsible administration that helps the country overcome economic downturn

■ eliminate non-typical functions

■ eliminate overlapping functions

■ reduce government expenditure assessing impact on results

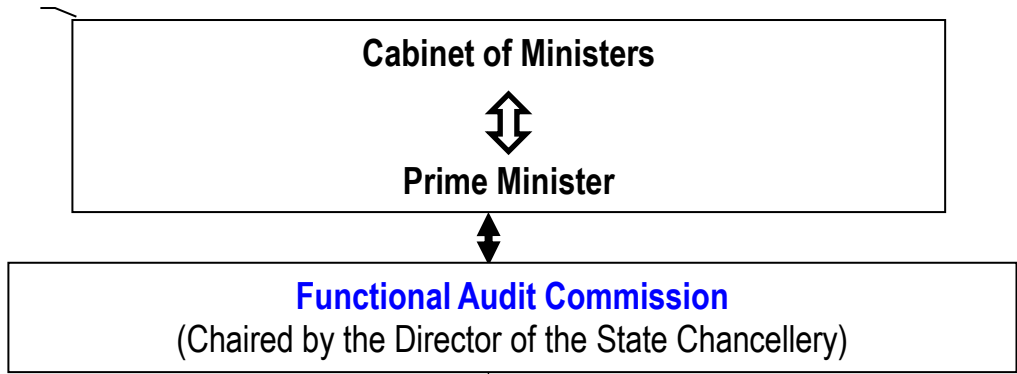
■ preserve public service accessibility

■ simplify institutional structures and procedures

■ increase public sector efficiency

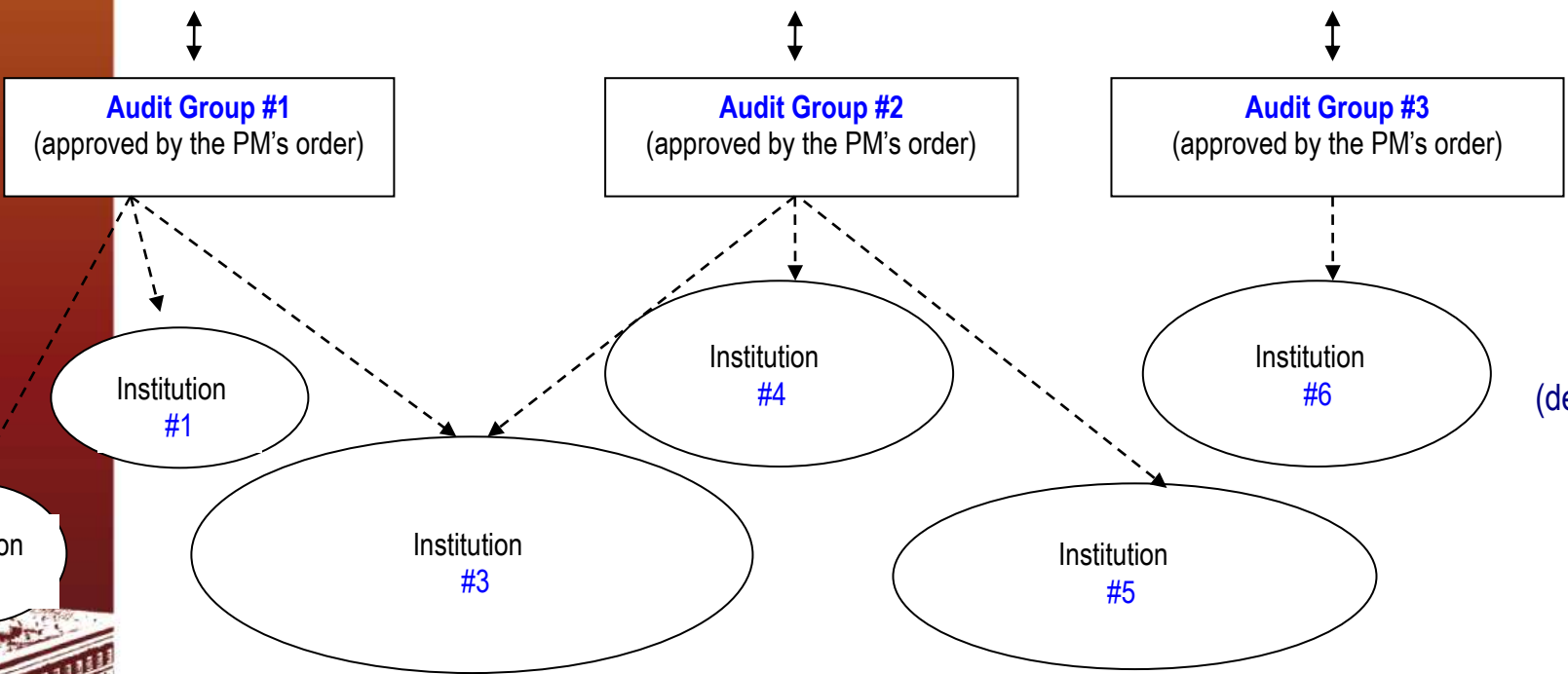


Cabinet level involvement:
a) mandate to perform audit
b) mechanism to implement audit recommendations



Commission develops draft plan, submits to the government for approval

Semiannual Functional Audit Plan



1 to 6 month
(depending on complexity and priority)

Audit can be carried out in one or several related institutions simultaneously



Necessary regulations

- Cabinet Instructions on how to plan and perform functional audit and implement audit recommendations
(#3, 27.01.2009)
- Statutes of Functional Audit Commission
(Cabinet Regulations #160, 17.02.2009)
- Composition of Commission
(Cabinet Order #145, 03.03.2009)
- Functional Audit Plan for 2009 (half-year)
(Cabinet Order #147, 03.03.2009)
- Opening meeting of the Commission
(06.03.2009)
- PM's orders on Composition of Audit Groups
(09.03.2009)



Resources

- no money
- no time
- just people



Audit areas

■ Functions, services, institutions or fields chosen by:

- inherently governmental functions
- complexity of institutional structure and numbers of staff
- complexity of procedures and regulations
- accessibility and quality of public services

■ Sources of information:

- consulting ministries
- consulting NGOs, social partners, business community, experts
- summarizing public opinions

■ “Green light” from the government



Audit areas: examples

- integrate smaller control and market surveillance institutions into State Revenue Service
- establish single forensic services provider
- name single institution to provide technical expertise on automobiles, tractors and trailers
- consolidate network of various public archive institutions
- reduce administrative burden on education institutions
- reduce administrative burden on businesses
- consolidate support services (personnel, accounting, ICT)



Audit process

- consult partners

- meet institution reps

- request information on:

- functions, services, resources, objectives and results

- regulatory background

- study previous audits

- analyze material, schedule further meetings

- agree on findings and recommendations

- develop draft report

- present draft report to institutions, request comments

- analyze comments, improve report

- present report to Functional Audit Commission

- approve or revise report

- prepare draft Cabinet order on implementation of recommendations

- approve recommendations



Audit methods

- analysis of external documents and regulations
- analysis of internal procedures: staff and workloads
- interviews
- benchmarking
- brainstorm and focus groups
- case studies
- test services



Output: report and recommendations

Short and concise, contains only:

- description of the field, audit methods and limitations
- list of identified functions (policy making and coordination, regulation, services, support)
- each function matched with recommendation (eliminate, reduce, merge, transfer, delegate, privatize, do nothing)
- fiscal impact assessment
- proposed implementation plan



Challenges and lessons learned in Latvia

public scrutiny

interest groups

precision VS ambiguity

asymmetry of expertise

number of alternatives

mandate

politics



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Brīvības Boulevard 36,
Rīga, LV-1520
Phone: 67082900,
Fax: 67280469
E-mail: vk@mk.gov.lv
www.mk.gov.lv

