

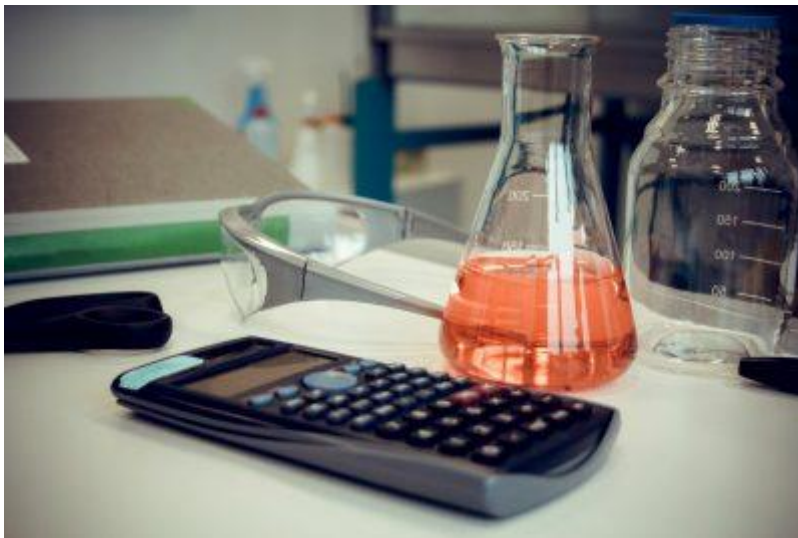


LATVIJAS REPUBLIKAS VALSTS KONTROLE

Home » News » At first, it is necessary to understand how much a service necessary for the State costs and only then allocate funds

At first, it is necessary to understand how much a service necessary for the State costs and only then allocate funds

15/06/2018  



The funding for laboratory investigations in the field of food and veterinary supervision, as well as the preservation of fish resources is still allocated based on historical data. The financial management implemented by the Ministry of Agriculture has shortcomings which enable its subordinate scientific institute BIOR to spend budget funds by inertia, using some of them for non-planned purposes. This has been concluded by the State Audit Office within the framework of the audit.

“We invite the Ministry of Agriculture to use audit conclusions as a tool to achieve that State budget funds are planned, allocated and used for the planned needs of the public. BIOR is only one, yet vivid example of how it could be possible to reduce the spending of State budget funds, regularly assessing the actually necessary amount of funds and receiving funds only from the State budget. Likewise, the Ministry of Finance could use this as an example for that budget funds can be obtained not only by looking for additional possibilities of income, but also by thoroughly revising the use of the already allocated funds”, Ilonda Stepanova, Member of the Council of the State Audit Office, explains audit conclusions.

Ensuring the harmless and high-quality food circulation and the high level of health of animals is an important task of the Ministry of Agriculture. The Food and Veterinary Service is responsible for ensuring that the necessary number of analyses and the funding necessary for investigations are determined. On average 2.2 million euro is allocated to BIOR for laboratory control every year;

however, it cannot be completely traced how the number and the type of investigations to be performed for this funding are determined.

Auditors have established that the costs of State-funded investigations cannot be determined, as there is no clear regulatory framework for the calculation of the prime-cost, while this methodology was developed by BIOR itself at the end of 2016 only. Within the framework of the audit, BIOR could submit only 23 of 460 calculations of the prime cost of investigations performed within the framework of official State control.

The transparency of the situation is negatively affected by the fact that in addition to State-funded investigations, BIOR also provides chargeable services, but cash flows are not separated and it cannot be traced how much is spent for State orders and how much — for services paid for by private persons. Thus, there can occur situations when commercial clients cover expenses, for which the State has already paid, or when the State pays double. The public and BIOR clients cannot be sure that they pay a justified amount for the laboratory services of the institute, as highlighted by auditors.

In assessing the validity of prices for BIOR investigations, the auditors have concluded: if the price for laboratory investigations was determined according to actual costs, the institute would have been able to save almost 400 thousand euro from the State funding allocated for laboratory investigations every year.

The need to revise the pricing of investigations is also suggested by the fact that BIOR could have created a significant accrual of funds in the account of the State Treasury — more than 2.7 million euro as of the end of 2017. This was not taken into account, for example, in allocating funding for the creation of material facilities: in 2016 and 2017, the Ministry of Agriculture allocated 1.4 million euro from the State budget for this purpose. Even when in 2015 BIOR entered into an agreement with a legal entity on the performance of laboratory investigations, gaining income in the amount of almost one million euro, the total expenses related to the operation of the laboratory did not increase significantly. All the aforementioned circumstances suggest the need to revise the amount of funds to be allocated to BIOR from the State budget.

The overall disorder of BIOR management shows also when studying the State funding for ensuring the sustainability of fish resources, which is another State function delegated to the institute. In the opinion of auditors, it would be necessary to assess seriously whether unjustifiably great funds are not allocated from the State budget for the research and restocking of fish resources. Currently, approximately one million euro is allocated from the State budget for this function; however, there is no clarity with regard to the pricing of services in this field.

Auditors have established that BIOR first requested the funding of the State budget and only afterwards prepared the prime cost calculations by adapting them to the allocated sum of funds. The prime cost of fish resources research include unjustified expenses of at least 90 thousand euro. Shortcomings in the planning of finances are suggested also by the fact that the funds allocated for the research of fish resources are used for funding other projects: within three years, more than 200 thousand euro was used, of which at least 90 thousand euro had not been returned in the account of fish resources research by the end of 2016.

Auditors concluded that almost 430 thousand euro of the allocated State funding was used for the purposes which were not directly related to laboratory control and the research of fish resources.

As a result of the audit, it has been revealed that although BIOR has already received funding from the annual project “Data Collection” of the European Commission’s Department for Maritime Affairs and Fisheries, at least 83 thousand euro was received from the State budget for project-related administrative expenses. During the audit, the State Audit Office invited the Ministry of Agriculture to take action in order to recover this amount into the State budget.

As a result of the audit, 20 recommendations have been provided, which the Ministry of Agriculture and subordinate institutions have already started to implement.

RESULTS OF AUDITS

Approved

- [Has Public Administration Used All Opportunities for Efficient Management of ICT Infrastructure?](#)
- [Is Financing from Riga City Municipality an Inexhaustible Source for Associations and Foundations!?](#)
- [Does the Medical Treatment Risk Fund operate for the benefit of patients?](#)

CONTACTS

50 Skanstes Street,
Riga, LV 1013
phone: 67017500
fax: 67017673
e-mail: lrvk@lrvk.gov.lv

Working hours

mondays – thursdays 8:30 – 17:15
fridays 8:30 – 16:00

CONTENT

- [About the State Audit Office](#)
- [Results of audits](#)
- [Contacts](#)

WRITE TO US

[E-application to an institution](#)

[Top](#)

State Audit Office of Latvia