



## **Report**

# **“Operations of the Corruption Prevention and Combating Bureau in 2018”**

## Table of contents

<b>1. General description and priorities of the Bureau's operations .....</b>	<b>3</b>
<b>2. Operating Results of the Bureau in the Field of Corruption Prevention .....</b>	<b>5</b>
2.1. Anti-Corruption Policy Planning .....	5
2.2. International Cooperation .....	7
2.3. Education and involvement of society .....	8
<b>3. Operating Results of the Bureau in the Field of Corruption Combatting .....</b>	<b>11</b>
3.1. Criminal Investigation .....	12
3.2. Control of Operations of State Officials .....	15
3.3. Control of Financing and Pre-Election Agitation of Political parties .....	17
<b>4. Staff Policy and Internal Control.....</b>	<b>20</b>
<b>5. Fulfilment of the Bureau's Strategy.....</b>	<b>22</b>
<b>6. Use of Budget Resources .....</b>	<b>26</b>



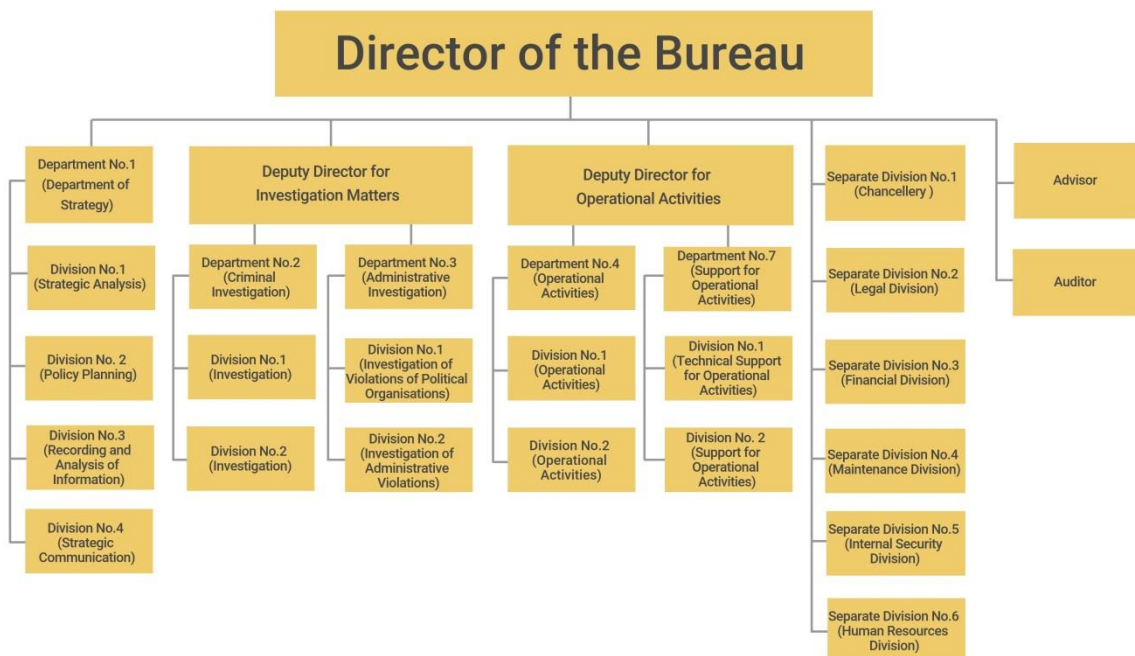
## 1. General description and priorities of the Bureau's operations

The Corruption Prevention and Combating Bureau (hereinafter – Bureau) is an institution of direct administration under supervision of the Cabinet of Ministers and performs functions prescribed in the Law on Corruption Prevention and Combating Bureau in the field of corruption prevention and combating, for corruption prevention and combating, and also controls fulfilment of financing regulations of political organisations (parties) and associations thereof and inspects how the restrictions laid down for the pre-election campaign, the campaign before referendum, the campaign for the initiation of a law, and the campaign for the initiation of recalling of the Saeima /Parliament/ are complied with.

The overarching objective of the Bureau is to prevent corruption using the law and support of the general public, to ensure fair and legal use of power vested in state officials in the interests of the state and society.

On 15 October 2018, Cabinet Regulations No. 556 “By-law of the Corruption Prevention and Combating Bureau” of 4 September 2018 became effective, and based on the By-law of the Bureau, a new internal structure of the institution was created that is mainly oriented towards prevention, detection, and investigation, review of administrative offenses, at the same time implementing anti-corruption and educating measures. of criminal offences

The structure of the Bureau shows the key operational directions of the Bureau, namely, prevention of corruption risks and education of society, control of state officials, control of finances of political organisations (parties), control of pre-election agitation, as well as combatting corruption, focusing on the priority fields referred to in the strategy of the Bureau. Division of functions of the Bureau, in line with the structure of the Bureau, is shown in Image 1.



*Image 1. Structure of the Bureau*

### **Priorities of the Bureau's Operations**

In the strategy of the Bureau 2018–2019<sup>1</sup>, the Bureau has prescribed the priority fields, emphasising that the Bureau, by strengthening analytical capacity and resources, will focus on identification and prevention of corruption risks, and detection and fighting corruptive relations.

In 2018, the resources of the Bureau were concentrated to fulfil the following priority tasks:

1. To reduce illegal activities of state officials using property and financial means of a public person, as well as prevent corruptive criminal offences in institutions of public person performing activities in the following priority fields:

- 1.1. Court institutions;
- 1.2. Public procurements;
  - a) Projects co-financed by the European Union;
  - b) Health industry;
  - c) Construction industry;
  - d) Largest municipalities of Latvia.

2. Considering that on 6 October 2018, parliamentary election took place in Latvia, one of the key tasks was to improve the supervision framework for agitation of political organisations (parties) in the pre-election period, as well as to combat illegal financing of political organisations (parties) in a large scale to reduce the role of money in politics.

3. To strengthen the analytical capacity of the Bureau, to ensure improvement of professional qualification of the officials of the Bureau, as well as to continue solving matters in regard to increase of remuneration of the officials of the Bureau to ensure competitive remuneration.

In 2019, the Bureau will plan its operations in line with the priorities referred to in the strategy for 2018–2019.

To ensure competitive remuneration to the employees of the Bureau, the Bureau has to continue solving the matter of increasing the remuneration of officials, and improvement of social guarantees, at the same time considering the opportunity and suggesting to increase the number of employees and the amount of financing of the Bureau. The number of employees and amount of budget is twice as small as that of the Special Investigation Service of Lithuania (hereinafter – STT). The Lithuanian STT has 320 work places and its budget amounts to 12,882,000 euros, the Bureau, in its turn, has 150 posts and its budget amounts to 5,839,466 euros. There were 2.85 million inhabitants in Lithuania in 2017, and 1.95 million in Latvia, therefore, in Lithuania there is 1.5 times higher number of people combatting corruption per one inhabitant. At the same time, the Bureau's competence, in addition to prevention, combatting of corruption, and education of society that is performed by the Lithuanian STT as well, includes also the control of state officials to prevent conflict of interest, as well as control financing and pre-election control of political organisations (parties).

The Bureau has a wide competence prescribed in the law that requires involvement of qualified, experienced, and knowledgeable specialists of different fields. To prevent and combat corruption efficiently and in a complex manner in the country, to educate the society and state officials, to control actions of state officials and monitor financing and pre-election

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<sup>1</sup> Sub-paragraph 1.3 of the Strategy 2018–2019 of the Corruption Prevention and Combating Bureau.

agitation of political organisations (parties), one of the priorities is the increase of the number of posts and budget of the Bureau.

## **2. Operating Results of the Bureau in the Field of Corruption Prevention**

To reduce corruption and conflict of interest, as well as to mitigate risks of embezzlement of financial means and property of public officials, the Bureau prepares development planning document, informative report, and draft laws, performs independent analysis of draft laws and submits suggestions to responsible institutions in regard to the necessity of amendments to the laws and regulations or development of new laws and regulations, as well as coordinates fulfilment of development planning documents in the field of corruption prevention and combatting.

### **2.1. Anti-Corruption Policy Planning**

In line with the provisions of the Law on Corruption Prevention and Combating Bureau, the Bureau, in the reporting period, has developed the following development planning documents, informative reports, and draft laws:

1. Cabinet Regulations No. 192 “On Procedure of Establishment of Commission That Assesses Reasons for Release of The Head of the Corruption Prevention and Combating Bureau, and Procedure of Commission Operations and Decision-Making” (passed at the meeting of the Cabinet of Ministers of 3 April 2018);

2. Draft law “Amendments to the Law on Prevention of Conflict of Interest in Activities of Public Officials” (passed at the meeting of the Cabinet of Ministers of 4 September 2018, draft law of the 13th Saeima No. 150/Lp13). The goal of the draft law is to solve the deficiencies of the existing legal framework in a complex manner, and implement the international recommendations<sup>2</sup> in Latvia, for example, to prescribe a new limit to a state official to obtain income from persons who they have represented, including prepared documents for representations, represented interests of a public person at the court, or to take positions there; to impose a duty on the Parliament members to inform (rejection of one’s own position) of the personal or financial interest in the fulfilment of the official duties and procedure of informing. Moreover, the draft law provides a new procedure of acceptance of donations for state officials and collegial institutions, expanding the definition of donation concept, and separating it from a gift, as well as explains the term “not related third party” that is mentioned in the law now but does not include content and provides other significant amendments;

3. Informative report “On the assessment of internal anti-corruption control system in institutions of public persons (passed on 19 July 2018 without reviewing at the meeting of the Cabinet of Ministers). During development of the above informative report and surveying 1,662 institutions of public person, the Bureau concluded that only at 608 institutions (36.6 %) anti-corruption plan is in place and only at 351 institutions (21.1%) the internal regulations provide a procedure how the employees of institutions can notify of possible

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<sup>2</sup> Recommendations included in the Assessment Report of Phase 2 of Latvia based on the OECD Bribery Combatting Standards in the International Business Transactions and GRECO (Council of Europe Group of States against Corruption) Evaluation Phase IV Report.

violations committed by the employees of the institutions. Moreover, the Bureau concluded that during preparation of anti-corruption plan at the institution not always the possible risks of corruption and conflict of interest are identified along with prevention measures, which consequently creates doubts that anti-corruption plans in the institutions are formal;

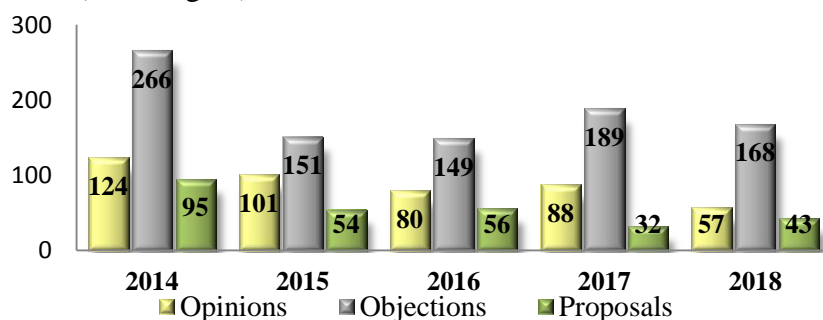
4. Draft law “Amendments to the Law on Corruption Prevention and Combating Bureau” the suggestions of which were included in the draft law “Amendments to the Law on Remuneration of Officials and Employees of State and Self-government Authorities” (draft law of the 12th Saeima No. 1178/Lp12, promulgated on 4 October 2018). Amendments, inter alia, pay additional payment for term of service to the officials of the Bureau<sup>3</sup> and benefit of term of service<sup>4</sup> that would motivate experienced professionals to continue serving the Bureau and prevent their leaving and attract new employees, filling up the vacant positions;

5. Cabinet Regulations No. 556 “By-law of the Corruption Prevention and Combating Bureau” of 4 September 2018 (passed at the meeting of the Cabinet of Ministers of 4 September 2018);

6. Draft law “Amendments to the Law on Corruption Prevention and Combating Bureau” (passed at the meeting of the Cabinet of Ministers of 21 November 2018, draft law of the 13th Saeima No. 34/Lp13).

In addition, the Bureau developed Guidelines on the basic requirements of the internal control system and prevention of risks of conflict of interest in an institution of public person (approved by a resolution of the Head of the Bureau dated 31 January 2018). The goal of the Guidelines is to provide recommendations, methodological assistance and examples in regard to prevention of corruption risks, implementing the requirements of Cabinet Regulations No. 630 “Regulations on Requirements of Internal Control System to Prevent Risk of Corruption and Conflict of Interest in an Institution of Public Person” of 17 October 2017. The document provides information and practical advice how to create internal anti-corruption control environment, how to identify, analyse, assess corruption risks and implement measures to reduce corruption risk.

During the reporting period, the Bureau perform corruption risk analysis of 1,309 draft laws submitted for the meeting of State Secretaries. In line with the results of risk analysis, the Bureau has provided 57 preliminary opinions on the draft laws developed by other institutions and promulgated at the meeting of State Secretaries, to eliminate the risks of corruption, conflict of interest, money laundering and embezzlement of financial resources and property of public person in these documents. The Bureau reviewed 168 objections and 43 proposals (see Image 2).



*Image 2. Number of opinions, objections, and proposals*

<sup>3</sup> Monthly payment to the monthly salary in line with the length of service at the Bureau.

<sup>4</sup> Single benefit in the amount of three monthly salaries after every five continuous years of service.

In 2018, the Bureau focused on analysing and providing opinions on draft laws in the priorities set in the strategy of the Bureau for 2018–2019. Large part of opinions provided by the Bureau on the draft laws were provided in the construction industry, providing 7 objections, in the public procurement area (11 objections), health and pharmacy area (10 objections and 11 suggestions), as well as several opinions were provided on draft laws regulating operations of public administration, eliminating the potential risks of corruption, conflict of interest, money laundering, embezzlement of financial resources and property of public person.

## 2.2. International Cooperation

During the reporting period, the Bureau participated in different events organised by international organisations and fulfilled its liabilities prescribed in the Treaty of the Council of Europe “On Establishment of Group of States against Corruption” (GRECO)<sup>5</sup>, the United Nations (UN) Convention against Corruption, Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Convention) liabilities, as well as activities related to the defence measures of financial interests of the European Union. The Bureau has joined such informal cooperation networks as the European Partners against Corruption and the Network of Integrity.

The Bureau, as the leading anti-corruption institution continued fulfilment of recommendations provided by the international organisations. Information on the progress of fulfilment of international recommendations has been summarised in Table 1.

*Table 1. Fulfilment of international recommendations*

<b>Fulfilment of international recommendations</b>
<p><b>Progress in regard to fulfilment of GRECO recommendations:</b></p> <p>Report of V Assessment phase of GRECO on Latvia was passed during the 80th plenary session on 22 June 2018 and the member states have to ensure compliance with the requirements of the Council of Europe in the field of corruption prevention and promoting of honesty in regard to the high-ranking state officials and law enforcement agencies (State Police and State Border Guard). During review of V Assessment phase report, the experts mainly focused on the external advisers of ministers, their roles, functions, and regulatory framework. All in all, Latvia received 17 recommendations, out of which 10 refer to the high-ranking state officials of executive power, and 7 refer to the work of the State Police and State Border Guard. Fulfilment of these recommendations will be assessed in December 2019.</p> <p>In regard to IV Assessment phase, the Bureau in November 2018 submitted a report to the GRECO on the progress of implementation of recommendations expressed during IV Assessment phase.</p> <p>Fulfilment of recommendations of IV Assessment phase:</p> <p><b>Recommendation:</b> To develop and define clearly the internal mechanisms of the Saeima to ensure compliance with the Code of Ethics, as well as to prevent conflicts of interest, to ensure active implementation and efficiency.</p> <p><b>Fulfilment:</b> The Bureau has developed amendments to the Law on Prevention of Conflict of Interest in Activities of Public Officials (draft law No. 150/Lp13, passed during the First Reading on 13 December 2018) providing that:</p> <ol style="list-style-type: none"> <li>1) Parliament and Cabinet Members do not participate in issuance of administrative acts, if the respective state official, his/her relatives, or business partners have personal or financial interests;</li> <li>2) The President of the State, Parliament Members, Members of the Cabinet or municipality council participate in passing of external regulations or political decisions, except for the laws on expropriation of immovable properties for public needs that are the properties of the respective state official, his/her relatives, or business partners;</li> <li>3) Considering the above, the Parliament Members inform the Presidium of the Saeima and the commission that</li> </ol>

<sup>5</sup> Latvia has joined all international treaties the implementation of which is supervised by the GRECO: The Council of Europe’s Criminal Convention on Corruption and Additional Protocol, Council of Europe’s Civil Law Convention on Corruption.

views the respective matter, of personal or financial interests.

**Progress in regard to fulfilment of the OECD recommendations:**

1. To ensure that guidelines to state capital companies on the internal control in anti-corruption field focus on prevention of bribery of foreign officials.

**Fulfilment:** The Bureau has developed the Guidelines on Basic Requirements for Internal Control System for the Prevention of the Risk of Corruption and Conflict of Interest in Institutions of a Public Person which were approved on 31 January 2018 ([https://www.knab.gov.lv/upload/2018/knab\\_vadlinijas\\_iekseja\\_kontrole.docx](https://www.knab.gov.lv/upload/2018/knab_vadlinijas_iekseja_kontrole.docx)).

2. To implement the plan to take measures that would impose a duty on state officials to report directly or indirectly, using the internal mechanism, to the law enforcement institutions on bribery of foreign officials in international business transactions that has occurred performing the official duties.

**Fulfilment:** The Bureau has developed amendments to the Law on Prevention of Conflict of Interest in Activities of Public Officials (draft law No. 150/Lp13, passed during the First Reading on 13 December 2018) providing that: "If a state official, during fulfilment of his/her official duties, becomes aware of information on situations of conflict of interest or possible corruption cases, including bribery of foreign officials, the state official shall inform the head of the institution of public person or the Corruption Prevention and Combating Bureau. If a state official working for a state security institution, during fulfilment of his/her professional duties, becomes aware of information on situations of conflict of interest, he/she shall inform the Director of the Constitution Protection Bureau, and in the event of possible cases of corruption: the Head of the institution or the Corruption Prevention and Combating Bureau, or the Prosecutor General." The duty to establish an internal reporting mechanism is, in turn, prescribed in Cabinet Regulation No. 630 developed by the Bureau "Regulations Regarding Basic Requirements for Internal Control System for the Prevention of the Risk of Corruption and Conflict of Interest in Institutions of a Public Person" of 17 October 2017.

3. To introduce amendments to the laws and regulations imposing a duty of external auditors to report to competent institutions on bribery of foreign officials as soon as possible and introduce further amendments to the laws and regulations, specifying that courts, prosecutors, and investigators are entitled to request auditors to provide information to use it when bribery of foreign officials is investigated.

**Fulfilment:** The Bureau participated in development of the draft law "Amendments to the Law on Audit Services" and provided suggestions to supplement the Law on Audit Services providing that a Sworn Auditor and a commercial company of Sworn Auditors shall use or disclose information that contains commercial secret without a written consent of the client if criminal proceedings or departmental inspection has been started.

The above draft law was promulgated at the meeting of the State Secretaries of 20 December 2018 (VSS-1273; minutes No. 50 15.§) and it provides that further on, within the framework of criminal proceedings, it will be allowed to request information and explanations from Sworn Auditors and interrogate them as witnesses in regard to facts that have become known to them when providing professional services.

**Fulfilment of recommendations in regard to implementation of the UN Convention against Corruption:**

Every member state has to implement such legal provisions and take other measures that might be necessary to recognise actions performed by a state official as criminal offences that have been performed with the goal to benefit from them either for one's own benefit or for the benefit of other natural or legal entities, these actions include embezzlement, misappropriation, or other illegal actions with property, state or private resources, or securities, or any other values that have been trusted to a state official due to his/her position.

**Fulfilment:** The Bureau participated in development of amendments to Sections 317, 318, 319 of the Criminal Law (draft law "Amendments to the Criminal Law" draft law No. 6/Lp13) providing to delete the qualifying feature, significant harm or causing severe consequences, existing in Sections 317, 318, 319 of the Criminal Law, as the Convention does not provide it as a qualifying condition.

## 2.3. Education and involvement of society

### Educating of state officials and society

During the reporting period, the officials of the Bureau organised and managed 107 workshops on anti-corruption, prevention of conflict of interest, ethics of public administration and prevention of internal control corruption risks matters, with the total of 5,818 participants. The educating workshops organised by the Bureau were attended by the state officials and employees, including civil servants, Heads and Deputies of institutions, Chairpersons and Deputy Chairpersons of municipality councils, executive directors, Heads of parishes, deputies, members of procurement commissions, foreign students and businesspeople.



Detailed division by the types of educating measures is provided in Image 3.

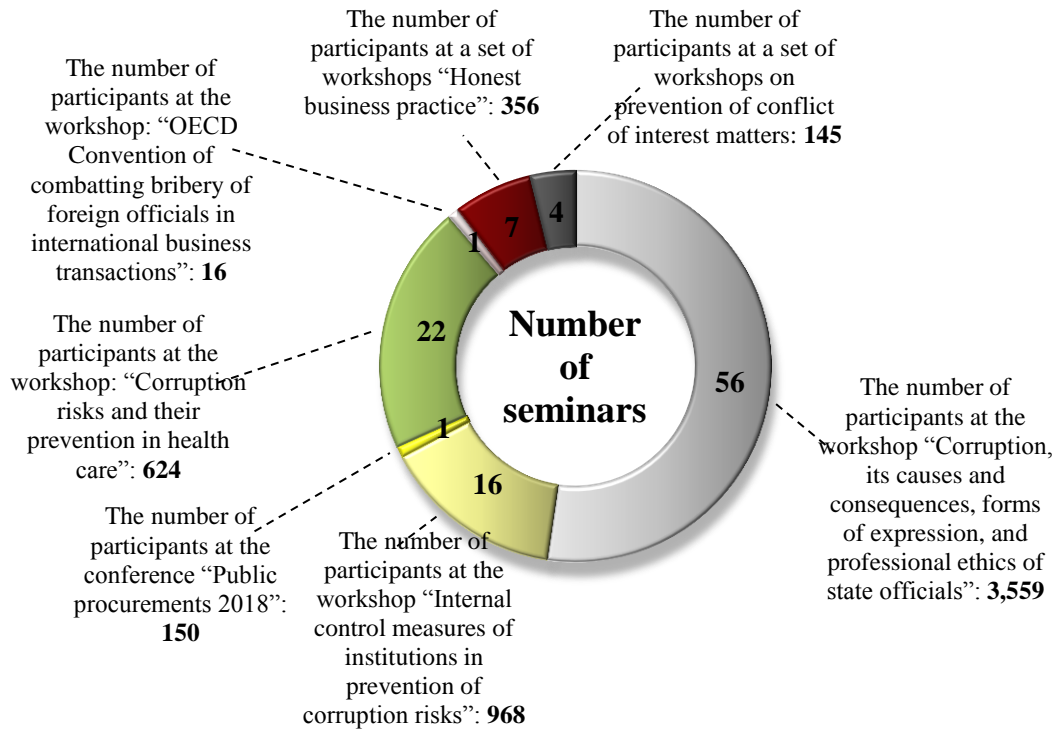


Image 3. Division of educating measures

During the reporting period, the Bureau continued its cooperation with the Competition Council and Latvian Procurement Monitoring Bureau organising a joint set of workshops "Honest business practice", as well as in cooperation with the Internal Security Office organised workshops where the senior officials of the State Police were educated.

The number of events and participants at educating events is provided in Image 4.

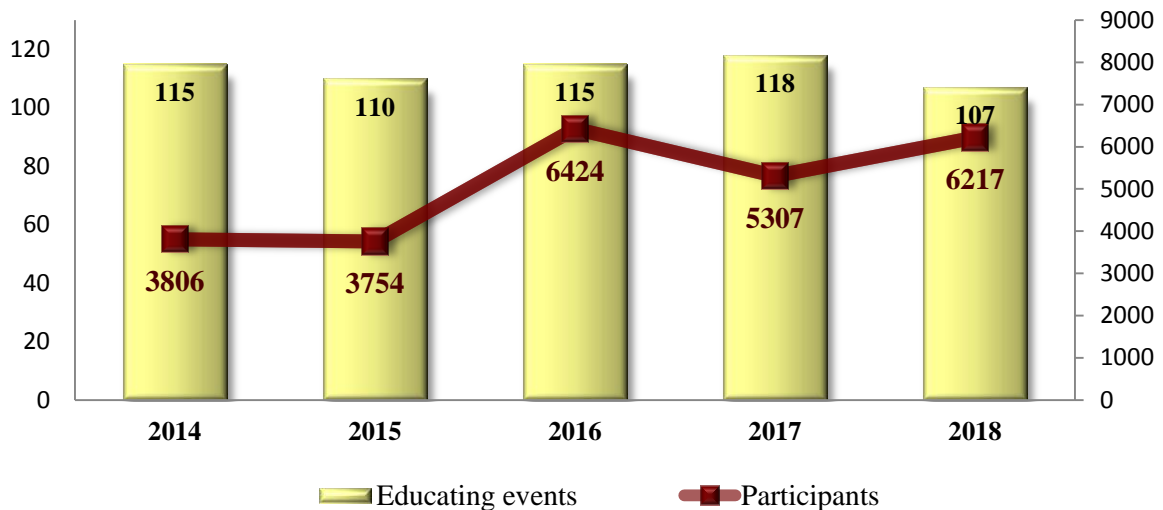


Image 4. Number of educating events and participants

Last year, the testing of state officials and employees of institutions of public persons in regard to matters of corruption and prevention of conflict of interest was continued. Testing was started not only with the goal to determine the level of knowledge of the officials on anti-corruption matters and to identify the weak points of knowledge, but also to measure and analyse how the knowledge of the target audience has changed over the years and to

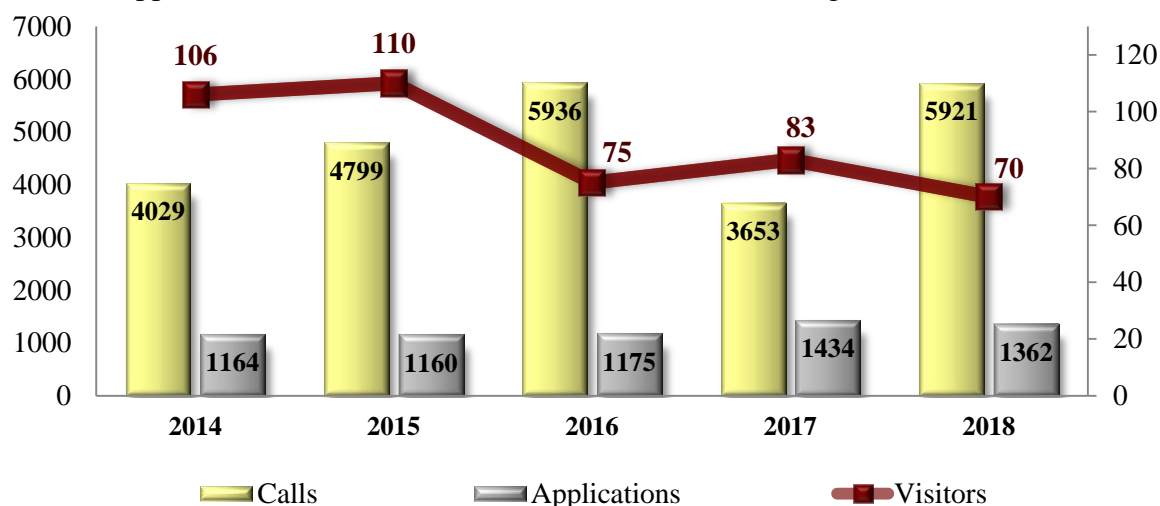
determine the priority audience of officials to be educated. After analysing the results of testing, it was concluded that all in all the knowledge of state officials on the matters related to conflict of interest and anti-corruption can be evaluated as good, because, on average, state officials have answered correctly to 86% of questions. Only 1.31% of the tested state officials provided less than 60% correct answers.

In 2018, the Bureau as the cooperation partner of the project of the European Structural Funds implemented by the State Administration School “Professional Development of Human Resources in Public Administration for Preventing Corruption and Reducing Shadow Economy”, continued working actively on development of curriculum of the project, providing suggestions in regard to the necessary contents of training.

During the reporting period, the officials of the Bureau have prepared 84 announcements to mass media to inform the society on corruption development trends and detected corruption cases, as well as measures taken to prevent and combat corruption.

### Number of calls and applications received at the Bureau

During the reporting period, the Bureau received 1,362 applications, out of which 1,176 applications were submitted by natural persons (including anonymous), and 186 were submitted by legal entities. In 2018, the Call Centre of the Bureau met with 70 visitors. The number of applications and visitors of the Bureau is shown in Image 5.



*Image 5. Involvement of society*

During the reporting period, the Call Centre of the Bureau (phone number 67356161) and free of charge hotline 80002070 received in total 5,921 calls, including 3,606 calls to the hotline. Compared to 2017, the number of calls received by the Call Centre increased by 64%. In 2018, calls to the anonymous hotline 80002070, were mainly related to information on the possible violations committed by state officials, violations committed at capital companies and municipalities, as well as possible violations in the activities of cooperatives, associations and private capital companies.

### Activities of the Public Advisory Council

The Public Advisory Council of the Bureau (hereinafter – Council) was established to ensure involvement of members of society in development, implementation of corruption prevention policy and education of society. The goal of the Council is to facilitate the link

between the Bureau and the society, providing recommendations on matters topical for the Bureau.

In 2018, the Council had two meetings the agenda of which included several significant matters, including the strategy of the Bureau for 2018–2019, control and supervision of financing of political parties, structural changes of the Bureau and their necessity. The Council, inter alia, elected its management, and discussed the interim report on implementation of the Guidelines of Corruption Prevention and Combatting for 2015–2020 for the period from 2015 to 2017. Attention was paid to the election of the 13th Saeima, expenditures of political parties, violations of pre-election agitation detected, cooperation of the Bureau with the representatives of the social networks, as well as a discussion was started on the necessary amendments to the laws and regulations in relation to control of pre-election agitation.

During the reporting period, new members joined the Council, “Latvijas telekomunikāciju komersantu asociācija” (Association for the Latvian Telecommunication Merchants) and the Latvian Association of Local and Regional Governments.

### **Public Events**

On 22 May 2018, the Head of the Bureau, Prime Minister, and Minister of Finance, opened the new building of the Bureau. In a celebratory opening the flag of the Bureau was confirmed. The flag shows logo of the Bureau and slogan “HONOUR OVER POWER”.

As a result of moving to the new premises of 3,756 m<sup>2</sup>, the Bureau is able to fulfil its functions in line with the regulatory laws, which was difficult in the previous building. The new premises are suitable for the specific functions of the Bureau and provide better working conditions to the employees of the institution. The office premises were adapted to the needs of the Bureau by VAS /SJSC/ “Valsts nekustamie īpašumi” from 2015 to the spring of 2018.

## **3. Operating Results of the Bureau in the Field of Corruption Combatting**

In line with the Law on Corruption Prevention and Combating Bureau, the Bureau hold public officials administratively liable and apply sanctions for administrative violations in the field of corruption prevention, and to combat illegal financing of the political organisations (parties), as well as criminal offences in the service of state authorities related to corruption, the Bureau carries out investigative and operational actions, departmental inspections, and criminal proceedings, as well as provide assistance to foreign countries, if those are related to investigation of corruption.

Report on the results of operating activities (report on the results of operating activities and characteristic statistical data) was submitted to the Cabinet of Ministers in line with Instruction No. 10 of the Cabinet of Ministers dated 12 June 2007 “On Procedure how Cabinet of Ministers Controls Execution of Tasks of Subjects of Operating Activities” and it is classified. Pursuant to Sub-paragraph 2.5.2 of Cabinet Regulations No. 537 “Regulations on Information to Be Included in the Report that the Corruption Prevention and Combating Bureau Submits to the Cabinet of Ministers and Saeima” of 16 August 2016, the Bureau submits the information to the Saeima in a separate document.

### 3.1. Criminal Investigation

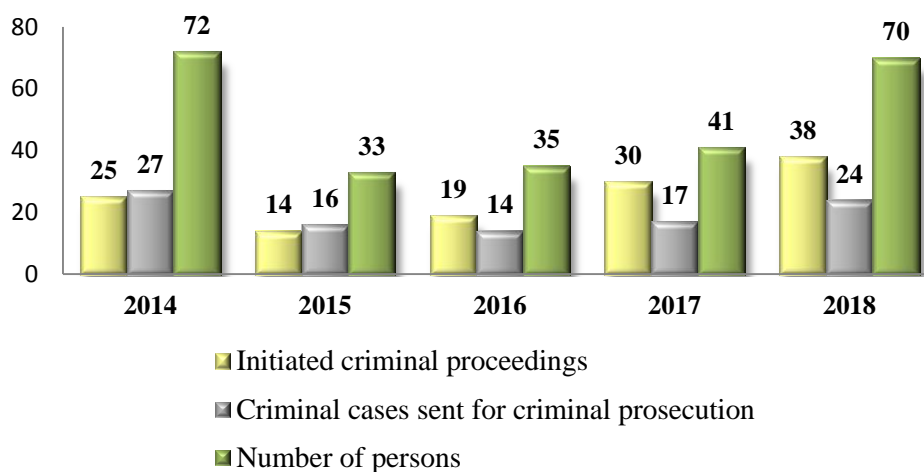
In 2018, the Bureau initiated 38 criminal proceedings, out of which 17 were initiated on the basis of the Fourth Department, 12 were initiated on the basis of application of natural persons, and 9 were separated from the existing criminal proceedings. The Bureau received 3 criminal proceedings from other law enforcement agencies, and sent 6 criminal proceedings to other institutions in line with their jurisdiction. The number of initiated criminal proceedings was the highest compared to the last five years, which can be explained by a proactive approach to detection of criminal offences and analysis of information.

During the reporting period, the largest part of the criminal proceedings were initiated in regard to possible criminal activities in relation to organisation of public procurements, implementation of functions of courts and law enforcement agencies, illegal activities with state or municipality property, illegal activities towards property and national economy, as well as corruptive activities in financial sector. It can be concluded that in 2018 the trend that higher corruption risks are related to public procurement field remained topical and public procurement field was set as a priority in the strategy of the Bureau for 2018–2019. At the same time corruption risks can be assessed as increased at institutions delegated to perform functions of control, supervision, and punishment, as well as in regard to actions of officials with financial means and property of a public person. Last year, corruption threats were discovered in the national financial sector, too.

In 2018, majority of criminal proceedings were initiated on such criminal offences as bribetaking, bribery, fraud, and money laundering.

A trend can be traced that corruption tends to be closely related to criminal offences against property, national economy or administrative procedure that is often detected in a comprehensive investigation. It should be noted, that in 2018, more often than before, criminal proceedings were initiated in relation to possible money laundering and tax evasion. According to statistics, majority of the possible criminal offences in relation to which criminal proceedings were initiated by the Bureau in 2018 were committed in Riga.

In 2018, the Bureau sent 24 criminal cases against 70 persons to the prosecution authorities to start criminal prosecution, and 9 criminal proceedings in the record-keeping of the Bureau were closed. Compared to the indices of the previous years, it can be concluded that, in 2018, the number of cases sent to start criminal prosecution was the largest in the last four years (see Image 8).

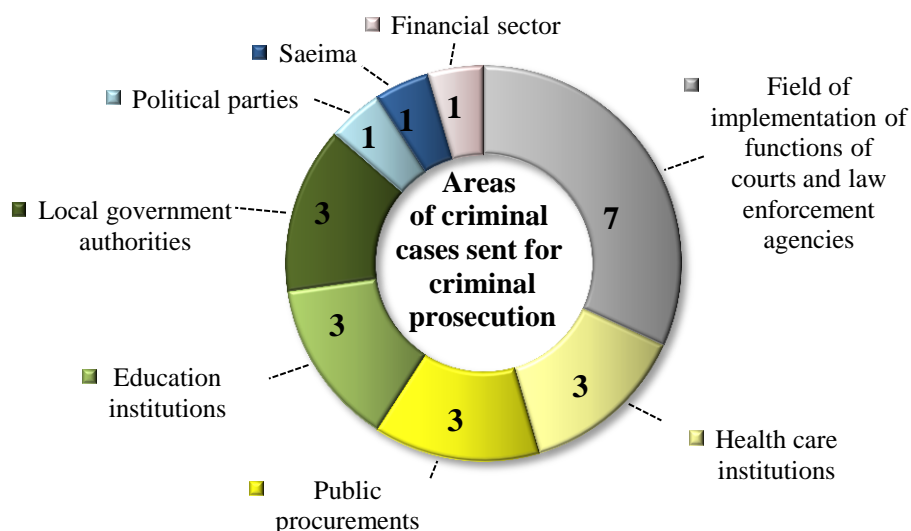


*Image 8. The number of initiated criminal proceedings, criminal cases sent for criminal prosecution, and number of persons*



In 2018, on average, in each criminal proceedings investigated by the Bureau, 2.9 persons were held liable for criminal offences which demonstrates that several persons often cooperate and are involved in planning and committing of the criminal offence.

During the reporting period, the majority of criminal cases sent to initiate criminal prosecution were cases where the criminal offences were committed in implementation of functions of courts and law enforcement agencies, public procurements, health care institutions, and education institutions, as well as in the field of municipalities (see Image 9).



*Image 9. Division of criminal cases sent to criminal prosecution by fields*

During the reporting year, the prosecution institutions received criminal cases on potentially criminal activities in relation to illegal financing of political parties, swindling of compensations in the Saeima, as well as possible corruption in financial industry. The majority of criminal cases sent to criminal prosecution (75%) were initiated in 2017 of 2018, which demonstrates the Bureau's ability to perform investigation efficiently and in a reasonable period of time on possible corruptive criminal offences.

Persons who were held criminally liable in 2018 mainly were involved in forgery of documents and use of forged documents, bribery and bribetaking.

Table 2 summarises the most significant criminal cases sent to criminal prosecution in 2018.

*Table 2. The most significant criminal cases sent to criminal prosecution*

<p><b>Case No. 1</b></p> <p>Possible bribetaking committed by an official of the Bank of Latvia in return of favourable treatment and assistance provided to a credit institution registered in Latvia in its cooperation with the Financial and Capital Market Commission. During investigation it was clarified that the official of the Bank of Latvia accepted a bribe in 2010, a paid trip whose value was 3,000 euros, and in 2012, accepted a bribe offer in the amount of 500,000 euros, half of which, i.e., 250,000 euros, was later accepted. Proceeds derived from criminal activity were received with the help and support of a businessperson who withheld a commission of 10%. After assessment of the obtained evidence, the Bureau suggested that the Prosecutor's office should start criminal prosecution against the official of the Bank of Latvia for bribetaking committed by a state official taking a high-ranking position, and against the businessperson – for supporting bribetaking committed by a state official.</p>
<p><b>Case No. 2</b></p> <p>A senior employee of a scientific institute, in an organised group with two other people, used a shell company and organised its participation in two public procurements organised by the said institute submitting tenders with significantly increased prices. Before participation in the procurements, the employee got to know the</p>

actual expenses of work and contacted the company which might ensure supply of the subject of procurement as a subcontractor. Afterwards, using a shell company, in 2011 and 2012, a significantly more expensive tender was prepared and submitted and it was announced a winner, and by concluding the contract, the state incurred losses of 832,418.65 euros. Based on the obtained evidence, the Bureau asked the Prosecutor's Office to start criminal prosecution against three people for fraud in organised group, for which they are held liable in line with Section 177 Paragraph Three of the Criminal Law.

**Case No. 3**

A Parliament member, abused the authority and from 1 November 2016 to 31 May 2018, submitted 19 documents to the Presidium of the Saeima which did not comply with the actual expenses, thereby requesting and receiving compensation of transport expenses in the amount of 12,688.15 euros. Obtaining compensation illegally on the basis of false documents, the laws regulating operations of the Parliament members were violated, the work of the Parliament was discredited, and the budget incurred losses. After assessment of the facts, the Bureau asked the Prosecutor's Office to start criminal prosecution against the person for abuse of authority and forgery.

**Case No. 4**

Violating the provisions of Section 6 of the Law on Financing of Political Organisations (Parties), a businessperson used third parties to donate money to two political parties, and thereby committed illegal financing of two political parties in a large scale. During investigation it was clarified that the businessperson used private finance specialist to transfer the money to third parties who, in turn, were instructed to transfer the money to the account of political party. Total amount donated to the political party amounted to 55,000 euros. Moreover, the businessperson agreed with a representative of another political party on illegal support and used intermediaries to donate 27,500 euros to another political party, thereby violating the provisions of the Law on Financing of Political Organisations (Parties). After assessment of the obtained evidence, the Bureau suggested to initiate criminal prosecution against one person for illegal financing of a political party, against another person for acceptance of illegal financing, and against the third person for supporting illegal financing.

**Case No. 5**

Employees of the National Centre for Education, acting with the purpose to acquire property, systematically helped other persons to pass state official language exams, in exchange of illegal benefits. As a result of these activities, the persons who passed the exams were provided an opportunity to obtain rights to reside in Latvia, another EU or EEA country or Switzerland. Moreover, during the investigation it was clarified that in several cases, forged personal identification documents were created to allow persons who are fluent in the state official language would take the language exams in the interests of other persons in exchange of property. Materials obtained during the investigation provided basis to hold 23 persons criminally liable for different criminal offences, including forging of documents, provision and acceptance of illegal benefits, as well as for provision of opportunity to obtain rights to reside in Latvia, another EU or EEA country or Switzerland.

**Case No. 6**

Three officials of VAS "Latvijas Autoceļu uzturētājs" failed to act, by concluding a contract with the winner of procurement procedure on supply of materials where the price of goods was not provided, as a result goods were supplied for a higher price that did not comply with the price offered in the procurement procedure. During the investigation it was clarified that the contract concluded after the procurement procedure differed significantly from the initial draft contract approved by the Board, as it did not include the price of goods, and as a result of these actions, the state capital company overpaid 277,847 euros. Based on the facts and circumstances clarified during investigations, the Bureau suggested to initiate criminal prosecution against three persons for inaction that has caused severe consequences.

In 2018, the officials of the Bureau reviewed 451 application in total assessing information on the possible criminal offences. Last year, the Second and Fourth Department of the Bureau initiated 179 departmental investigations and completed 142 departmental inspections. To ensure efficient work on investigation of large and complex criminal proceedings, in 2018, four investigation groups were established.

During the reporting period, in 7 criminal proceedings investigated by the Bureau, detention order was imposed on persons.

In 2018, the Bureau received 61 requests for legal assistance from the USA, Canada, Kirgizstan, Ukraine, Kazakhstan, Uzbekistan, Spain, Lithuania, France, and Sweden, which is a significantly larger number than in 2017. More than 80% of incoming requests for legal

assistance were received from countries outside the European Union. During the reporting period, 49 requests for legal assistance received by the Bureau were fulfilled.

To ensure obtaining and registration of evidence in regard to criminal proceedings in the record-keeping of the Bureau, in 2018, the officials of the Bureau prepared 13 requests for legal assistance to be sent abroad. Majority of the requests for legal assistance (70%) were prepared to be sent to countries outside the European Union.

### 3.2. Control of Operations of State Officials

To ensure that state officials would work in the interests of the society, and to prevent the impact of personal or financial interest of state officials, their relatives or business partners on the activities of the state official, the Bureau controls compliance with the Law on Prevention of Conflict of Interest in Activities of Public Officials (hereinafter – law on Conflict of Interest), as well as compliance with other restrictions applicable to state officials pursuant to other regulations.

Implementing functions prescribed in the Law on Corruption Prevention and Combating Bureau in the field of control of state officials, in 2018, the Bureau started 389 and completed 408 departmental inspections.

Reviewing the applications and complaints in regard to the possible involvement of state officials in conflict of interest, information provided in the declarations of these state officials was checked to see whether the state officials have complied with the restrictions, prohibitions, and duties prescribed in the Law on Conflict of Interest. In total 783 state officials were checked, assessing information in 878 declarations of state officials.

212 administrative cases were initiated as a result of non-compliance with the restrictions prescribed in the Law on Conflict of Interest, and 58 decisions passed on refusal to initiate administrative case.

In 2018, the Bureau imposed fines on 251 state officials, in total imposing fines in the amount of 24,300 euros 39 state officials, in their turn, in line with Section 21 of the Latvian Administrative Violations Code, received an oral admonishment. Passed decisions and imposed fines are shown in Image 11.

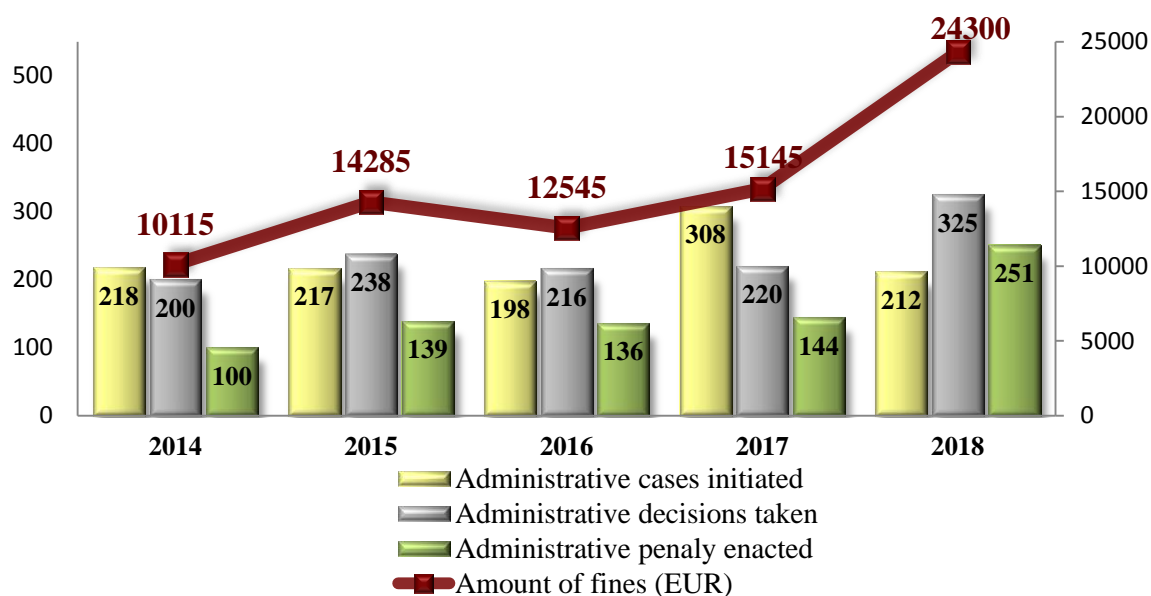
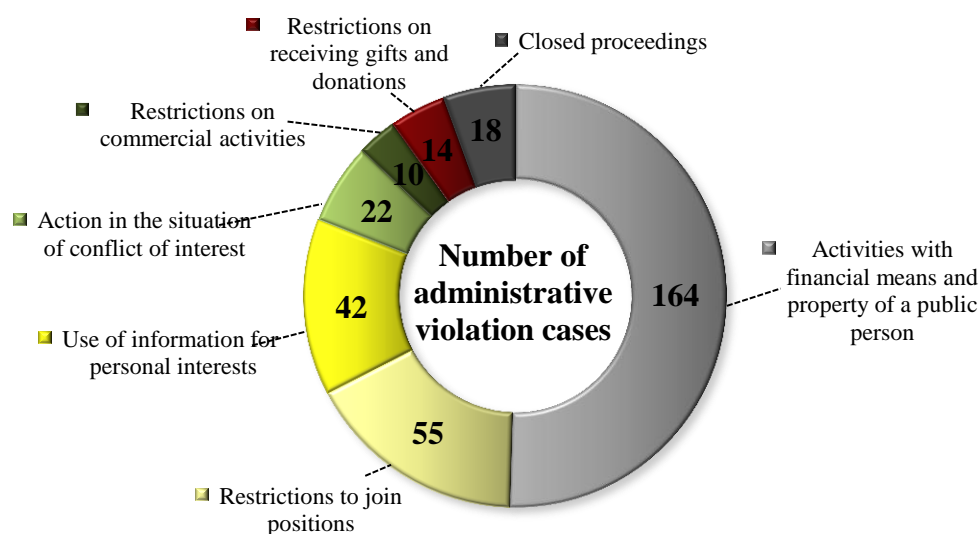


Image 11. The number of passed decisions and total number of fines

In 2018, in 61 cases, the persons who were held administratively liable, appealed decisions of the Second Unit of the Third Department in administrative violation cases to the Head of the Bureau, and on the basis of the appeals, the Head of the Bureau, has revoked the decisions, but 99.08% (322 decisions) of the decisions passed by the Second Unit of the Third Department became effective. During the reporting period, in 37 cases, the persons who were held administratively liable, appealed decisions taken by the Head of the Bureau, however, in all cases the decisions remained in force.

During the reporting period, the largest part of decisions on violations of restrictions prescribed in the Law on Conflict of Interest were related to activities with financial means and property of a public person which made up more than half (164 decisions or 50.5%) of the decisions passed by the Second Unit of the Third Department of the Bureau. The above is related to the fact that majority of the state officials who received administrative punishment were deputies of municipality councils who voted for such matters as approval of expenses of the municipality budget in regard to publishing municipality newspaper in Russian, provision of municipality financing for purposes not prescribed in the laws and regulations, as well as to determine remuneration of the municipality deputies, prescribing salary that exceeds the amount prescribed in the laws and regulations.

Similarly as in previous year, in 2018, the majority of violations committed by state officials were related to violations of restriction to join the position of state official (55 decisions or 17%). However, as a result of proactive action of the State Revenue Service and State Police that submitted information to the Bureau on state officials who have used information available to them for the purposes of fulfilment of their duties for their personal interests, the number of decisions made in this area has increased during the reporting period (42 decisions or 13%). Compared to 2017, the number of those state officials who have been held administratively liable by the Bureau for the use of information available to them for the purposes of fulfilment of their duties for their personal interests increased by 133%. Moreover, in 2018, the number of persons the Bureau held administratively liable for action in the situation of conflict of interest decreased by 8 persons or 27% compared to 2017. Image 12 summarises information on division of decisions by the type of violation.



*Image 12 Division of decisions by the type of violation*



Based on the decisions taken by the Bureau in the administrative violation cases, the officials paid to the state budget the administrative fines of 19,755 euros in 2018.

When a person who is held administratively liable has obtained income or other benefits and it has caused such a harm to the public administration procedure that can be evaluated, the Bureau decides on compensation of means that have been obtained violating restrictions prescribed in the Law on Conflict of Interest to the state budget. In 2018, the Bureau took six decisions, requesting to compensate losses incurred by the state in the amount of 148,442.32 euros.

### **3.3. Control of Financing and Pre-Election Agitation of Political parties**

The Bureau controls compliance with the financing regulations of political organisations (parties) and associations thereof, and in cases prescribed in the law, holds the persons administratively liable and imposes a punishment. The Office summarises and analyses information on the annual reports submitted by parties, violations detected during submission, and non-compliances with the restrictions prescribed in the law. Before the election of the Saeima, European Parliament and municipalities, in line with its competence, the Bureau controls compliance with the pre-election agitation restrictions, after election, the Bureau investigates revenue and expense declarations submitted by the political organisations (parties) and associations thereof.

On 6 October 2018, the parliamentary election took place in Latvia where 16 parties and associations thereof participated, and one of the priorities of the Bureau was to ensure control of compliance with the prescribed amount of the pre-election expenses and compliance with the restrictions of pre-election agitation.

Within the framework of this task, the officials of the Bureau processed 3,030 notifications on contracts on placement of pre-election agitation, postal expenses, charity and sponsorship events, as well as performed inspections on the spot, back-testing, as well as compared the data on pre-election expenditures with the data of independent monitoring (outsourced service). During the reporting period, the Bureau analysed transactions concluded by the political parties for the total amount of 2,108,169.38 euros and transactions concluded by third parties for the total amount of 40,689.17. In 2018, during the 120 days' long pre-election agitation period, information was verified and published on the gifts (donations) received by political parties and associations thereof for the total amount of 2,291,080 euros which is a 29% increase than during the agitation period of the municipality election in 2017.

During inspections related to violations of pre-election agitation, during the reporting period, 210 departmental inspections were initiated, and until the end of 2018, 194 departmental inspections were completed. The most significant violations of this pre-election agitation period, for which the Bureau initiated the investigation, were related to distribution of slandering information on certain political parties, use of administrative resources in the interests of certain political powers, as well as possibly secret agitation.

Considering the active pre-election agitation on the Internet and social networks, during this pre-election period as opposed to the previous ones, the campaign of parties and third parties was monitored using special technical means. During this pre-election period, people were asked to use the mobile application "Report to KNAB!" that registered

information and informed the Bureau on the possible violations. All in all, 1,179 notifications on violations of pre-election agitation were received in the application before the parliamentary election which were reviewed comprehensively. Performing control of pre-election agitation on the Internet and social networks, the Bureau started cooperation and exchanged information with such companies of social networks as Facebook and Google. Information that was received helped the Bureau to perform the functions prescribed in the law in relation to monitoring of pre-election expenditures.

Analysing the amount of donations received by the political organisations (parties) and associations thereof, it can be concluded that the total amount of donations in the year of parliamentary election was significantly higher than that in the year of municipal election. Along with the amendments to the Law on Financing of Political Organisations (Parties) becoming effective, the maximum amount of donation that a natural person may give was significantly limited, pay as a membership or admission fee, i.e., the amount of such payment cannot exceed 30% of the person's income generated in the previous calendar year. The above amendments prevent cases when a natural person donates political organisations (parties) amounts that exceed the amount of his/her legal income.

Possibly, due to the above amendments to the law, the amount of donations made in 2018 has decreased. A summary of donations made in the last decade is shown in Image 13.

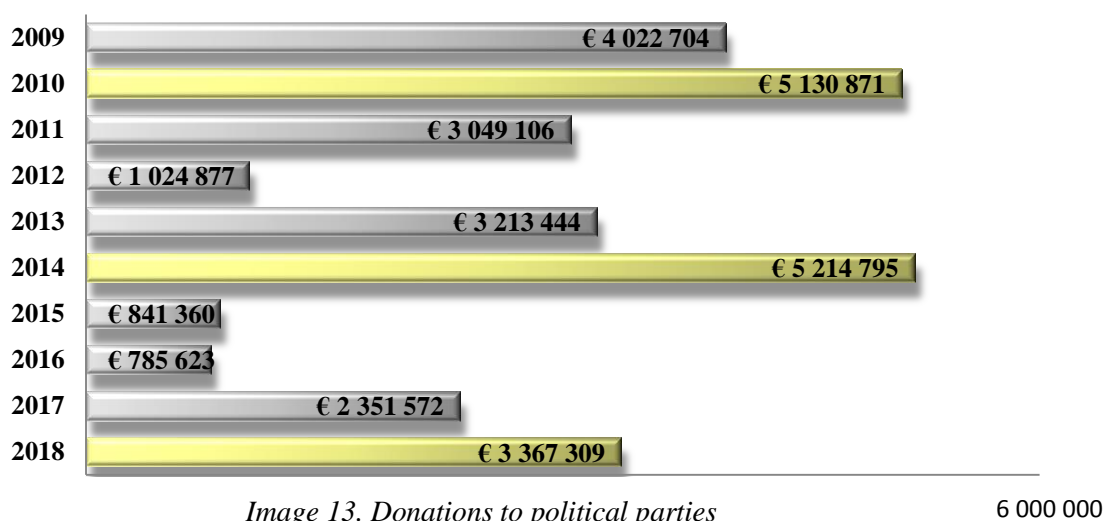
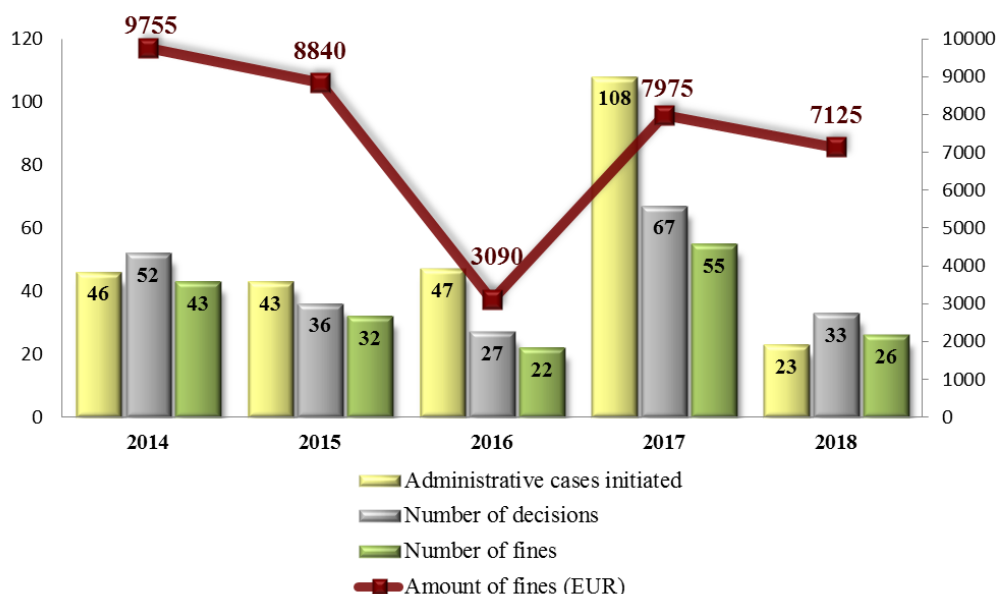


Image 13. Donations to political parties

Pursuant to the requirements of the Law on Financing of Political Organisations (Parties), in the first half of 2018, information of income and expense declarations on municipal election of 2017 and results of inspections conducted in 2016 were summarised and general public was informed thereof.

In 2018, the Bureau started 23 administrative cases against political parties and other legal entities and natural persons in relation to violations of the requirements of the Law on Financing of Political Organisations (Parties). During the reporting period, 33 decisions in administrative cases were taken, out of which in 26 cases fine has been imposed for violations of the requirements of the Law on Financing of Political Organisations (Parties), in total of

7,125 euros. Decisions taken in the last five years are summarised in Image 14.



*Image 14. The number of passed decisions and total number of fines*

In 2018, in 4 cases, persons who were held administratively liable, appealed the decisions taken by the First Unit of the Third Department to the Head of the Bureau and, after reviewing the complaints, the Head of the Bureau retained the decisions in force. Moreover, during the reporting period, in 3 cases, the persons who were held administratively liable, appealed decisions taken by the Head of the Bureau, however, in all cases the decisions remained in force.

In addition, during the reporting period, the Bureau made 11 decisions on compensation of illegally received financing to the state budget, instructing to pay in total of 88,849.91 euros.

In relation to election, workshops on restrictions of pre-election agitation were organised to political organisations (parties), advertising service providers, volunteers before the parliamentary election, as well as workshops were organised where municipality representatives and law enforcement agencies participated with the purpose to achieve joint understanding of the restrictions in the use of administrative resources. Moreover, during the reporting period, 85 explanations were submitted in regard to financing matters and regulatory framework of the Law on Financing of Political Organisations (Parties).

During the reporting period, political organisations (parties) and other legal entities and natural persons, in line with the decisions made by the Bureau, have compensated the state budget the illegally received financing in the amount of 29,916.45 euros, as well as compensated financing of 966.98 euros to the state budget and imposed fines of 5,825.00 euros.

Considering that on 25 May 2019, the election of the European Parliament will take place, the Bureau will monitor lawfulness of pre-election agitation, focusing on pre-election agitation in social networks and Internet, as well as continue prevent and combat illegal financing of political organisations.

#### 4. Staff Policy and Internal Control

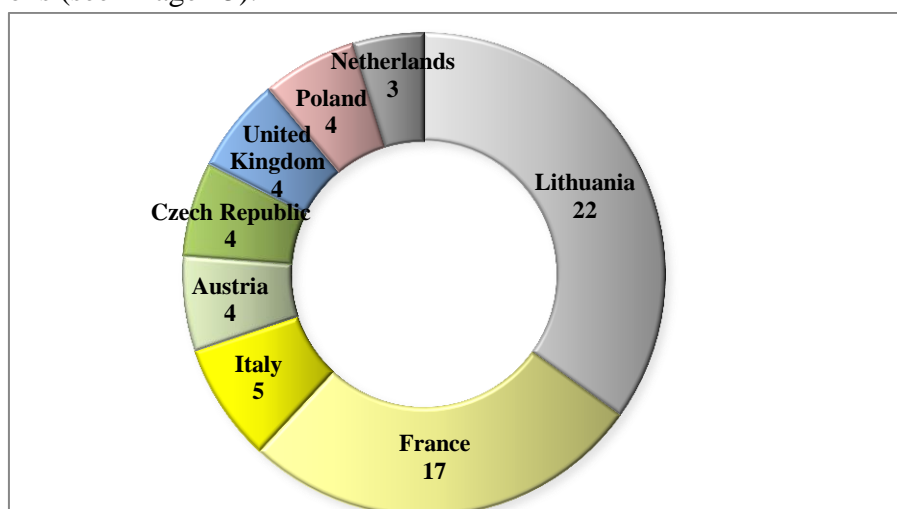
To ensure increase of capacity of investigation and operating activities, restoration of the Bureau's reputation, as well as more rapid development of the Bureau as the central anti-corruption authority, the Bureau developed a new By-law of the Bureau in 2018<sup>6</sup>. Based on the By-law of the Bureau, a new internal structure of the Bureau was developed that is mainly focused on the prevention, detection, and investigation of criminal offences, reviewing of administrative violations, at the same time implementing planned anti-corruption measures.

The By-law of the Bureau provides that the Head of the Bureau will have two deputies but the competences and division of responsibility will be separated clearly between the Head of the Bureau and his/her deputies. Moreover, the By-law includes a solution how the career development can be ensured to the officials of the Bureau, providing an opportunity to motivate the employees, i.e., to take positions of Inspector, Senior Inspector, Chief Inspector, Chief of the Unit, Head of the Department, or Deputy Head of the Bureau.

As at 31 December 2018, out of 150 posts of the Bureau, 118 posts were taken. The Bureau employs 51 men and 67 women. During the reporting period, 9 persons started their service at the Bureau and 19 persons terminated their service at the Bureau.

The Bureau organises recruitment of employees using different staff selection methods. To attract experienced professionals, the Bureau uses also recruitment methods. The mandatory requirements of candidates are provide in the Law on Corruption Prevention and Combating Bureau. In addition, during selection process, the state security institutions verify the compliance of a candidate with the requirements of the Law On Official Secrets, for the person to be able to receive a special permit to access official secrets. Consequently, selection of candidates is a time-consuming and long-lasting process that consists of two phases: professional assessment of the candidate and assessment of the person's ability to receive permit to access the official secrets.

Officials of the Bureau are provided an opportunity to attend experience exchange trips to foreign colleagues, as well as participation at the working groups of institutions and foreign institutions (see Image 15).



*Image 15. Business trips to foreign countries of officials and employees of the Bureau.*

<sup>6</sup> Cabinet Regulations No. 556 "By-law of the Corruption Prevention and Combating Bureau" of 4 September 2018.



Moreover, the employees of the Office are provided health insurance, accident insurance, as well as benefits, compensations and coverage of other expenses provided in the laws and regulations, as well as additional payment for the length of service which was started in 2019. Depending on the performance results and priorities of tasks, the matter on payment of bonuses, benefits and money prizes prescribed in the laws and regulations is reviewed regularly.

Performing assessment of internal control systems, in 2018, 3 internal audits were conducted at the Bureau in regard to matters of preventing conflict of interest in the operations of state officials, budget planning and procurement organisation. During the above audits, it was concluded that generally the internal control system operates, however, it requires certain improvements, some deficiencies have been detected, however, the controls are appropriate, sufficient, and efficient which allows to express sufficient confidence that risks are managed and the goals of the institution will be achieved. To implement certain improvements, as a result of audits, the structural units of the Bureau have been provided 17 suggestions, out of which, as at the end of 2018, 15 suggestions have been implemented, and implementation of two suggestions is planned in 2019.

## 5. Fulfilment of the Bureau's Strategy

During the reporting period, the Bureau based its activities on the tasks and priorities set in the strategy of the Bureau for 2018–2019. Results of fulfilment of the strategy of the Bureau are summarised in Table 3.

*Table 3. Effective Indicators*

Goal	Result	2015 execution	2016 execution	2017 execution	2018 plan	2018 execution	Note
To reduce the spread of corruption	Corruption perception index has improved (evaluation in the scale of 100 points, where “100” means that “no corruption exists”)	55	57	58	60	<b>58</b>	Goal has not been reached. Corruption perception index is based not only on how experts and businesspeople perceive the efficiency of anti-corruption institutions, but includes also other aspects, for example, opinion on the set of measures aimed at reducing corruption risks implemented by institutions, and their quality, implementation of whistleblowing mechanism in the country and other aspects.
To improve the knowledge of state officials on the anti-corruption requirements	Implementing tests within the framework of educating measures, the number of state officials with good knowledge of anti-corruption requirements increases	82%	84%	88%	85%	<b>86%</b>	Goal has been reached. Quality education materials have been developed and the training of state officials is provided by the officials of the Bureau with high level of competence in explaining application of laws and regulations.

Goal	Result	2015 execution	2016 execution	2017 execution	2018 plan	2018 execution	Note
To discover and investigate criminal offences	Criminal offences detected	56	60	65	64	131	Goal has been reached. During the reporting period, the Bureau completed investigations in several voluminous criminal cases that involved large number of persons and number of criminal offences.
	The proportion of criminal cases sent for criminal prosecution and that have not been closed at the Prosecutor's Office	87.5%	92.9%	88.2%	95%	<b>91.7%</b>	Goal has not been reached. During the reporting period, the Prosecutor's Office closed 2 criminal cases that the Bureau had sent to initiate criminal prosecution, which can be explained by different assessment of evidence obtained in the criminal cases.
	The number of criminal proceedings started by the Bureau on the basis of information provided by the Fourth Department of the Bureau	7	6	11	13	<b>17</b>	Goal has been reached. The Fourth Department of the Bureau contributes largely to comprehensive and efficient investigation of criminal proceedings, operating in investigation groups and fulfilling procedural tasks within criminal proceedings, including provision of special investigation operations.
To take legal and reasoned decisions in the field of financing of political parties	The proportion of decisions of the Bureau which remained in force in relation to administrative violations and compensation of illegal financial resources which were not cancelled	99.97%	100%	100%	98%	<b>100%</b>	Goal has been reached. During the reporting period, none of the decisions taken by the Bureau has been cancelled.

To reduce the role and impact of money in politics	Violations detected in financing of political parties and agitation	36	26	66	25	<b>33</b>	Considering that parliamentary election was held in 2018 in Latvia, the Bureau ensure operative monitoring of pre-election agitation, and financing of political parties.
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Goal	Result	2015 execution	2016 execution	2017 execution	2018 plan	2018 execution	Note
To ensure lawfulness of decisions taken by the Bureau and sufficient grounds in the area of control of state officials	The proportion of decisions taken by the Bureau in relation to administrative violations in the corruption prevention area, which have not been cancelled	100%	99.54%	98.3%	98%	<b>99.08%</b>	Goal has been reached. During the reporting period, the Head of the Bureau has cancelled three decisions taken by the Second Unit of the Third Department.
To perform control of state officials in the field of prevention of conflict of interest	Decisions taken by the Bureau in regard to violations of the Law on Conflict of Interest	285	263	297	255	<b>325</b>	The number of decisions taken by the Bureau in the field of conflict of interest has increased by 27%. The above is related to the fact that majority of the state officials who received administrative punishment were deputies of municipality councils who voted for such matters as approval of expenses of the municipality budget in regard to publishing municipality newspaper in Russian, violating the Official Language Law and the Law on Prevention of Squandering of the Financial Resources and Property of a Public Person, as



							well as to determine remuneration of the municipality deputies, prescribing hourly salary rate that exceeds the amount prescribed in the laws and regulations.
	The number of state official declarations (number of state officials)	948	872	1,190	950	<b>783</b>	The goal is not achieved, as the Bureau received less complaints and applications on violations committed by state officials in the field of conflict of interest.

## 6. Use of Budget Resources

In 2018, the Bureau was provided state budget financing of 5,839,466 euros, in addition, the Bureau received financing from the Confiscation Fund of Money Derived from Criminal Activity of 23,800 euros to ensure improvement of technical equipment of the Bureau. Moreover, to strengthen the capacity of the Bureau in 2018 the new policy initiatives were approved in the amount of 599,327 euros. The use of budget is summarised in Table 4, which has been filled in line with Annex to Cabinet Regulations No. 413 “Regulations on Public Annual Accounts” of 5 May 2010.

*Table 4. Use of Budget Resources*

No.	Financial indices	2017 (actual execution, euro)	2018	
			approved by the law (euro)	actual execution (euro)
1.	Financial resources to cover expenses (total)	5,758,882	5,863,266	5,863,266
1.1.	subsidies	5,665,676	5,839,466	5,839,466
1.2.	paid services and other revenues	-	-	-
1.3.	foreign financial support	93,206	-	-
1.4.	donations and gifts	-	-	-
1.5.	state budget transfers	-	23,800	23,800
2.	Expenses (total)	5,520,048	5,863,266	5,644,486
2.1.	maintenance costs (total)	4,682,031	5,718,870	5,523,890
2.1.1.	current expenses	4,070,510	5,099,052	5,045,742
2.1.2.	interest expenses	-	-	-
2.1.3	subsidies, grants and social benefits	510,553	612,398	470,728
2.1.4.	payments to the budget of the European Community and international cooperation	7,762	7,420	7,420
2.1.5.	maintenance cost transfers	93,206	-	-
2.2.	expenses for capital investments	838,017	144,396	120,596

***HONOUR OVER POWER!***

Head of the Corruption Prevention and  
Combating Bureau

J. Straume