



## **Report**

# **“On the Operations of the Corruption Prevention and Combating Bureau in 2019”**



## **Address by the Director of the Corruption Prevention and Combating Bureau**

*For the Corruption Prevention and Combating Bureau 2019 has been active, dynamic and, in the perspective of the past several years, also productive. The productivity of the work of the Bureau is characterized by achievements in both combating and prevention of corruption.*

*The corruption combating efforts in 2019 are characterised by several major and complex criminal proceedings investigated by the Bureau, including the criminal proceedings involving not only Latvian, but also foreign natural and legal persons. It should be understood that the investigation of such major criminal proceedings is time-consuming and requires vast human resources; therefore, it cannot be completed in a few months. Besides corroborating evidence, we also have to deal with requests for legal assistance which tend to significantly delay the investigation. Moreover, by implementing recommendations of international organisations, in 2019 the Bureau, apart from the predicate crime, analysed alleged money laundering by conducting parallel financial investigation in all criminal proceedings of the Bureau. But we are definitely making progress, and the public currently has no reason to be concerned about the results of the investigative work.*



*The number of the criminal proceedings initiated during the reporting period is the largest in the last 10 years. Compared to 2018, the number of criminal proceedings initiated in 2019 has increased by 24%. The sharp increase in the number of criminal proceedings being investigated highlights the issue of human resources. Results could be achieved sooner if the capacity of the Bureau was strengthened by hiring highly qualified experts, investigators, analysts and special agents to work on the cases and ensuring competitive salaries for all employees of the Bureau.*

*In corruption prevention, the Bureau, during the reporting year, focused its resources on corruption prevention priorities, namely, public procurements for EU funded projects, in particular construction procurements, and procurements organised by the largest Latvian municipalities. The Bureau also focused on the control of financing of political parties. Analysing the situation in different economic sectors, we identified several problems and started taking steps to reduce corruption risks and public tolerance of corruption.*

*I highly appreciate the public support the Bureau received in 2019 for its work. It was the active engagement of people who reported suspected offences by officials and assisted the Bureau in monitoring the public sector during the election period that facilitated the detection of criminal offences. The Bureau strives to reach the largest possible audience, including, by organising various educational events across Latvia. Over 5 000 public officials were educated for the fourth successive year. It should be noted that the public engagement had special added value in 2019 – the quality of the reports submitted by people improved considerably.*

*The performance indicators of the Bureau's operations in 2019 in corruption combating, corruption prevention and control of the financing of political organisations (parties) and election campaigns are presented in this annual report.*

*The staff of the Bureau must work very, very hard to detect and investigate criminal offences, and, without team spirit, it would be impossible to accomplish this. I want to express my deepest gratitude to all employees of the Bureau for their unrelenting diligence in 2019. May we all continue working as a team in the future, keeping in mind that the Bureau contributes to national growth.*

*I would like to thank our cooperation partners and partner services in Latvia and abroad, and the general public for successful cooperation in 2019, and I look forward to productive cooperation in future.*

**Director of the Corruption Prevention and Combating Bureau  
Jēkabs Straume**

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

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

### **Mission statement of the Bureau**

"We take action against corruption for the good of society and national interests with the full force of law and public support, in order to achieve integrity in the exercise of power vested in officials of State".

### **Structure of the Bureau**

The Director of the Bureau has two deputies – the Deputy Director for Investigation Matters, who is in charge of the Criminal Investigation Department (comprising two investigation divisions) and the Administrative Investigation Department (comprising the Division for Investigation of Violations of Political Organisations and the Division for Investigation of Administrative Violations), and the Deputy Director for Operational Activities, who is in charge of the Operational Activities Department and the Department of Support for Operational Activities (comprising two operational activities divisions and two divisions of support for operational activities respectively). The Director of the Bureau is in charge of the Department of Strategy (comprising the Strategic Communication Division, the Strategic Analysis Division, the Information Analysis Division and the Policy Planning Division), as well as of the separate divisions (Chancellery, Legal Division, Financial Division, Maintenance Division, Internal Security Division and Human Resources Division)<sup>1</sup>.

### **Bureau Operational Priorities**

During the previous reporting periods the Bureau pooled its resources to reduce unlawful actions by public officials in public procurements and in judicial authorities, as well as to combat illegal financing of political organisations (parties). Based on information obtained through targeted activities, the Bureau has concluded that corruption risks in the aforementioned areas will remain high in 2020. In 2020, the Bureau will plan its operations according to the priorities defined in its Operational Strategy for 2020–2022<sup>2</sup>:

1. To reduce the possibility of unlawful actions by public officials with the property and finances of a public person, including the identification and elimination of corruptive criminal offences in institutions of a public person, by performing targeted activities in the following priority areas:

- 1.1. financial sector;
- 1.2. judicial authorities;
- 1.3. health care;

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<sup>1</sup> The chart of the organisational structure of the Corruption Prevention and Combating Bureau:  
<https://www.knab.gov.lv/en/knab/structure/>

<sup>2</sup> Sub-paragraph 1.3 of the Operational Strategy of the Corruption Prevention and Combating Bureau for 2020–2022.

1.4. public procurements:

- a) of EU-funded projects;
- b) in the construction sector;
- c) in the largest local governments in Latvia;
- d) Rail Baltica project;

2. To conduct, to the extent possible, parallel financial investigations in each criminal proceedings investigated by the Bureau in order to identify, seize and confiscate proceeds of crime;

3. To improve monitoring of the financing of political organisations (parties) by applying the new model for financing of political organisations (parties);

4. To strengthen the Bureau's capacity in terms of human and material resources by improving and making more effective the Bureau's analytical, operational and investigative capacities, preventing and combating corruptive criminal offences and controlling compliance with the Regulations for Financing of Political Parties.

The Bureau has broad statutory competence requiring the recruitment of highly qualified, experienced and knowledgeable experts in a number of areas. Increasing the Bureau's staff and budget is one of the priority issues to be addressed to ensure effective and comprehensive corruption prevention and combating in Latvia, to educate the public and public officials, to control the work of public officials and monitor financing of the political organisations (parties) and pre-election campaigns. Implementing Measure No. 180.2 under the Government Action Plan<sup>3</sup> regarding the increase of financing assigned to the Bureau and its staff by 23%, the Bureau will propose revising the amount of finances allocated to it and to increase the number of payroll positions by 33.

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<sup>3</sup> Measure No. 180.2 under the Cabinet of Ministers Decree No. 210 of 7 May 2019 "On the Government Action Plan to Implement the Declaration about the Actions Planned by the Cabinet of Ministers led by Arturs Krišjānis Kariņš".

## **2. Achievements of the Bureau in Corruption Prevention**

To mitigate risks of corruption, conflict of interest, as well as squandering of the financial resources and property of public persons, the Bureau prepares development planning documents, informative reports and draft laws, performs independent analysis of draft laws and regulations and submits to the competent authorities proposals for amendments to existing laws and regulations or the development of new laws and regulations, and coordinates implementation of the development planning documents in the field of corruption prevention and combating.

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

Pursuant to the Law on Corruption Prevention and Combating Bureau, the Bureau has drawn up several development planning documents, informative reports, and draft laws and regulations during the reporting year.

In 2019 the Bureau drew up four draft laws to carry out the implementation system plan for codification of sectoral administrative offenses by inter alia assessing the retention of existing administrative offense in the system of administrative offences:

1. draft law "Amendments to the Law on Prevention of Conflict of Interest in Activities of Public Officials" (a revised version of the 2017 draft law (VSS-66) approved by the Cabinet of Ministers at the 28 January 2020 meeting);
2. draft law "Amendments to the Law on National Referendum, Legislative Initiative and European Citizens' Initiative" (approved by the Cabinet of Ministers at the 10 December 2019 meeting; draft law No. 529/Lp13 of the 13th Saeima);
3. draft law "Amendments to the Pre-election Campaign Law" (approved by the Cabinet of Ministers at the 10 December 2019 meeting; the draft law No. 529/Lp13 of the 13th Saeima);
4. draft law "Amendments to the Law on Financing of Political Organisations (Parties)" (presented at the 19 December 2019 meeting of State Secretaries, VSS-1238).

In order to ensure that the financial operations of political organisations are transparent, legal and in compliance with the parliamentary democracy system, to improve the monitoring of financing of political organisations (parties) and associations thereof, thus simplifying document submissions to the Bureau by political organisations (parties), simultaneously improving the use of information submitted by political organisations (parties) about their financial operations for various purposes, as well as the processing and publishing of this information, the Bureau has drawn up the following:

5. Cabinet Regulation No. 417 of 10 September 2019 "Regulations for Submitting and Publishing Information of Political Organisations (Parties) about Joining Fees, Membership Fees, Gifts (Donations), Election Income and Expenses Declarations and Annual Reports".

Taking into account the assessment of existing laws and regulations, the Bureau drew up three draft laws on its own initiative:

6. draft law "Amendments to the Law on Local Governments" (sent by the Bureau by letter No. 1/5833 of 21.10.2019 to the Ministry of Finance, State Audit Office, Ministry of Environmental Protection and Regional Development, and the Justice Ministry requesting their opinion on the draft law) aimed at requiring local governments to include in their publicly available annual reports the information about: financial resources granted to societies, trade unions, foundations and religious organizations, specifying the procedure for assessing the efficiency of each such allocation, as well as the information about the assessments performed to determine the legality and efficiency of the application of the allocated finances and the assessment results;
7. draft law "Amendments to the Law on Budget and Financial Management" (sent by the Bureau as letter No. 1/5833 of 21.10.2019 to the Ministry of Finance, State Audit Office, Ministry of Environmental Protection and Regional Development and Ministry of Justice requesting their opinion on the draft law) providing that the Cabinet of Ministers shall establish procedures by which a local government grants municipal budget resources to individuals and monitors the use of such allocations;
8. draft law "Amendment to the Law on Prevention of Conflict of Interest in Activities of Public Officials" (submitted to the State Chancellery on 22.01.2020 along with the letter No. 1/393 for review at a Cabinet of Ministers meeting) aimed at establishing a restriction on the remuneration received by the local council chairman or the deputy chairman for any positions they hold in an association, foundation or social enterprise.

Moreover, in 2019 the Bureau drew up an interim assessment of the implementation of the Corruption Prevention and Combating Guidelines for 2015–2020 for the 2015–2018 period and developed the Strategy of the Corruption Prevention and Combating Bureau 2020–2022.

During the reporting period, the Bureau analysed potential corruption risks in 1 267 draft laws submitted for review at the meeting of State Secretaries. Based on the results of the risk analysis, the Bureau provided 48 initial opinions on the draft laws developed by ministries, including the draft laws received for approval (without presentation at the meeting of State Secretaries), raising 41 objections and making 27 suggestions. In addition, the Bureau in 2019 gave opinions on 56 draft laws and regulations received for repeated electronic approval, raising 21 objections and making 4 suggestions (see Figure 2).

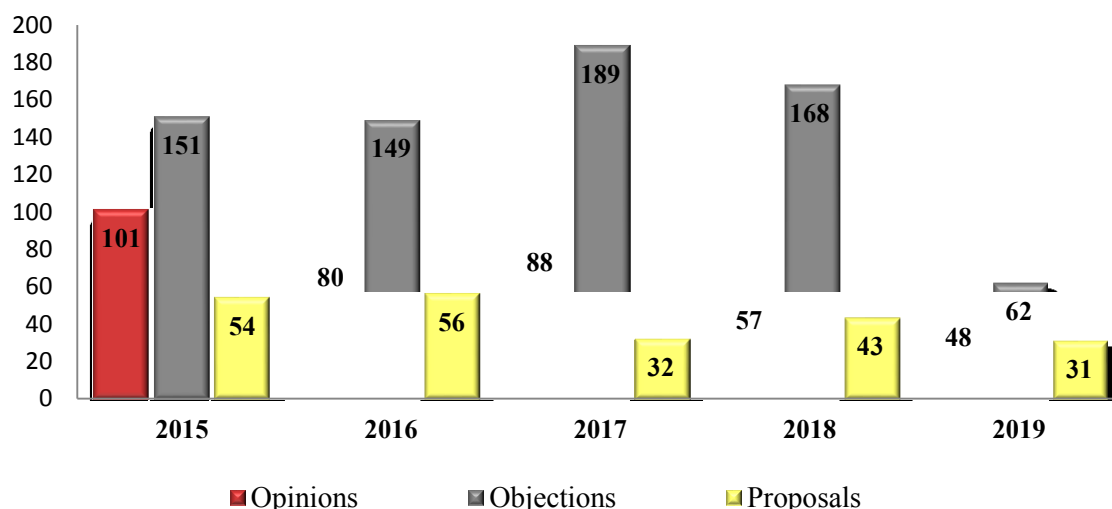


Figure 2. Number of opinions, objections and proposals made by the Bureau regarding draft laws and regulations

In 2019, the Bureau analysed and gave opinions on draft laws and regulations in the priority areas defined in its Operational Strategy 2018–2019.

## **2.2. International Co-operation**

During the reporting period the Bureau, as the leading anti-corruption institution, participated in various events organised by international organisations and fulfilled its obligations under the Council of Europe Agreement establishing the Group of States against Corruption (GRECO), the Organisation for Economic Co-operation and Development (OECD), Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention), the United Nations (UN) Convention against Corruption, as well as took part in the implementation of recommendations by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval) and activities related to measures protecting EU financial interests.

During the reporting period, the Bureau continued implementing the OECD Working Group on Bribery Phase 2 Report recommendations by participating in the meetings organised by the Ministry of Finance on the draft law "Amendments to the Law on Audit Services", which provides that in the future it will be possible to request information and explanations from sworn auditors in criminal proceedings and to question them as witnesses about facts they became aware of while providing their professional services. The Saeima discussed the aforementioned draft law in the first reading in 2019, and the Bureau participated in the drafting of the law and made proposals.

In 2019, the OECD Working Group on Bribery produced the Phase 3 Report on Latvia, noting the progress in the detection and investigation of cross-border bribery and money laundering and concluding that there was no need to subject the country to an enhanced follow-up procedure. Nevertheless, Latvia should continue the risk mitigation measures and implementation of effective reforms in legislation and practice. The Bureau participated in the assessment process by filling in the self-evaluation questionnaire, providing updates and comments for the draft reports and taking part in the review and adoption of the report.

The Phase 3 Report contains 44 recommendations, of which the most important for the Bureau are the allocation of sufficient resources and strengthening of investigation authorities' expertise, in particular in the fight against foreign bribery and money laundering, as well as closer co-operation between law enforcement agencies in the investigation of complex economic crimes. The next follow-up report on implementation of the recommendations is due in 2021.

In 2018 GRECO adopted the Fifth Evaluation Round Report on Latvia. During the GRECO Fifth Evaluation Round, requirements of the Council of Europe must be met regarding corruption prevention and promotion of integrity of senior officials of the executive branch of government and law enforcement agencies. Latvia received 17 recommendations, of



which 10 concerned senior officials of the executive branch, and 7 concerned the performance of the State Police and State Border Guard.

During the reporting period, the Bureau continued implementing the GRECO Fifth Evaluation Round recommendations, cooperating with the State Chancellery to facilitate development of the conflict of interest management system for unpaid external advisers of ministers. The Bureau also updated and approved the guidelines for determining the public officials to be examined within the scope of the annual plan. The Bureau started applying the guidelines within the scope of its competence in 2019.

## 2.3. Education and public participation

### Educating public officials and the public

In 2019 the officials of the Bureau organised and held 113 seminars, attended by a total of 5 680 participants, on subjects such as anti-corruption, prevention of conflict of interest, public administration ethics and development of plans for prevention of internal control corruption risks, and implementation of anti-corruption measures. The educational seminars organised by the Bureau were attended by public officials and employees, including civil servants, heads and deputy heads of institutions, chairpersons, deputy chairpersons and executive directors of local councils at the national and district levels, lawmakers, members of procurement commissions, foreign students and businesspeople. The number of educational events organised by the Bureau and the number of participants are shown in Figure 3.

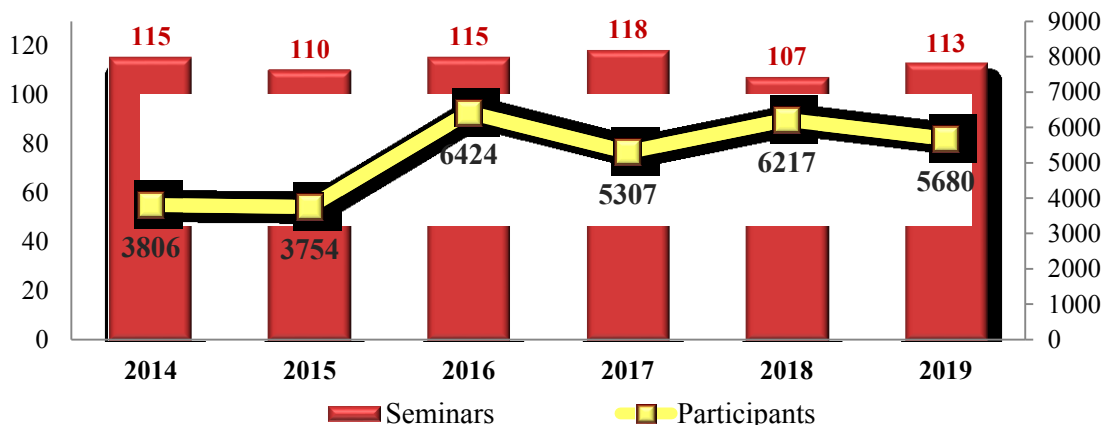


Figure 3. The number of educational events and their participants

For a detailed breakdown of the educational events by type, see Figure 4.

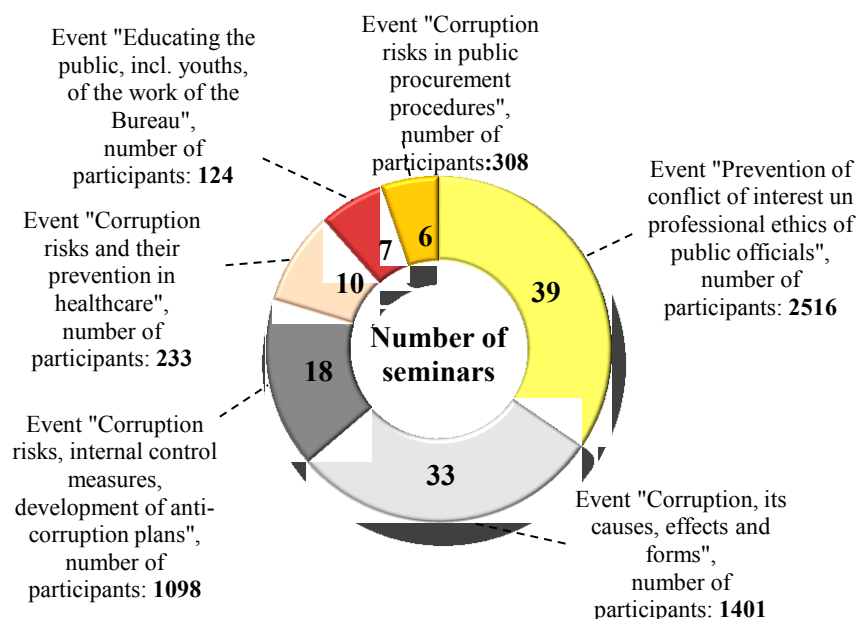


Figure 4. Breakdown of educational events

Knowledge testing of public officials and employees of institutions of a public person on the matters concerning corruption and prevention of conflict of interest continued during the reporting period. Testing was initiated not only in order to determine the level of knowledge of officials on anti-corruption matters and to identify any knowledge gaps, but also to measure and analyse how the knowledge of the target audience has changed over the years and to identify the primary audiences of the officials who need to be educated. A total of 628 persons were tested, and afterwards it was concluded that public officials have good knowledge of the matters related to conflict of interest and anti-corruption because, on average, public officials answered 87% of questions (86% in 2018) correctly. Only 1.11% of the persons tested answered less than 60% of questions correctly.

Work with young people and students is one of the Bureau's priorities in education. During the reporting period co-operation was started with the "Public Administration Competence Development" foundation, resulting in 3 career lessons "Work in Public Administration – Could It Be My Path?" in the Bureau's conference room to familiarize 80 young people with the competence of the Bureau. A meeting between Bureau representatives and students of the Legal Faculty was organised in co-operation with the University of Latvia, to inform them about the work of the Bureau and to invite them to consider a career in the Bureau. Co-operation has been started with the Art Academy of Latvia, which has resulted in students of the Design Department designing the Brand Book and uniforms of the Bureau.

As a cooperation partner of the School of Public Administration for the implementation of the project financed from European structural funds "Professional Development of Human Resources in Public Administration in the Field of Corruption Prevention and Reduction of the Shadow Economy", the Bureau gave an opinion in 2019 on the training content and contributed to the development of the content of the e-learning courses "Corruption Prevention" and "Ethics".

In 2019, during the Conversation Festival "LAMP" organised by the DOTS Foundation for an Open Society, Swedbank, "Armadillo" advertising agency, "Deep White"

communication management agency, the Cēsis district municipality and the British Council, the Director of the Bureau participated in a discussion on whether or not the state can have secrets from the public.

During the reporting period the Bureau prepared 90 statements to mass media, made 164 posts on social networking sites and published 67 informative and visual materials to inform the public about corruption development trends, corruption cases detected and corruption prevention and combating measures.

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

During the reporting period the Bureau received a total of 1 534 applications, including 1 319 applications submitted by natural persons (including anonymously), and 215 applications submitted by legal entities. In 2019, the Bureau admitted and heard 40 visitors. The number of applications and visitors received by the Bureau is shown in Figure 5.

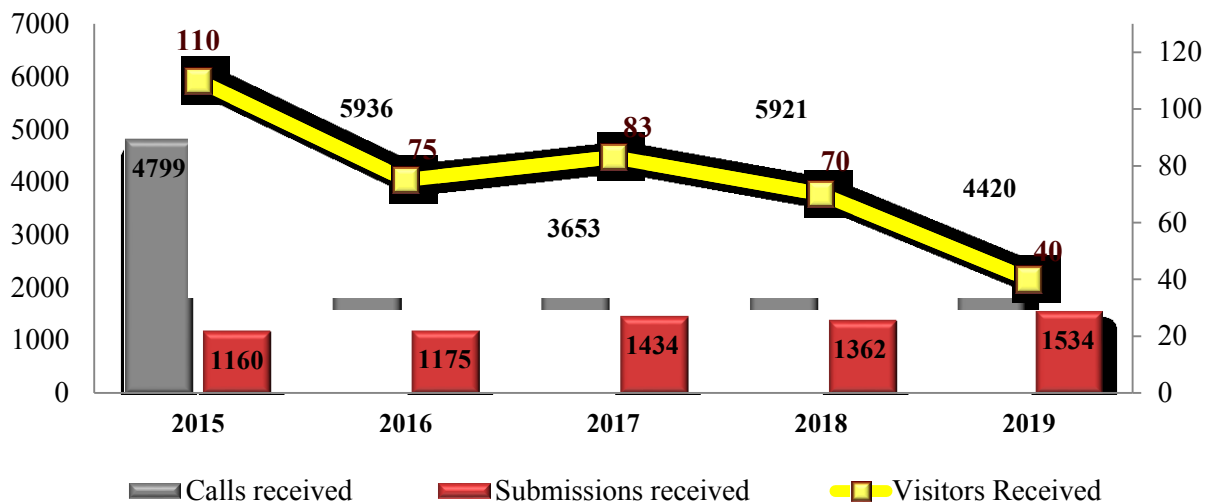


Figure 5. Public engagement

During the reporting year the Bureau received a total of 4 420 calls to the phone number (+371) 67356161 and the free hotline 80002070. Compared to 2018, the number of calls received by the Bureau last year has decreased by 25%, yet the number of applications submitted to the Bureau has grown by 13%. In 2019, the callers to the anonymous hotline mostly reported suspected violations and criminal offences by public officials.

In response to the activity of the public, the Bureau made functional improvements to the mobile app "Report to KNAB!", adjusting it so that the app could be used to report any violations or criminal offences within the competence of the Bureau. During the reporting year, the Bureau received 119 reports via the app about suspected violations of the pre-election campaigning rules and the Law on Prevention of Conflict of Interest, as well as criminal offences.

The Whistleblowing Law entered into force on 1 May 2019. The Bureau is one of the competent authorities to which whistle-blowers can report suspected criminal offences or violations of the law. In 2019, the Bureau received 51 reports (see Figure 6).



Figure 5. Outcomes of the review of the reports under the Whistleblowing Law

### Activities of the Public Consultative Council

The Public Consultative Council (hereinafter – Council) of the Bureau was established to ensure participation of the public in the development and implementation of the anti-corruption policy and education of the public. The task of the Council is to facilitate the communication between the Bureau and the public by offering recommendations on current issues.

In 2019 the Council held two meetings on a number of issues important for the Bureau, including the current state of co-operation between the Bureau and the Council and possible improvements through amending the existing Charter of the Council. The Bureau's representatives presented the results of the Bureau's operations in 2018 and priorities for 2019. The focus was on the European Parliament elections; and, inter alia, the increase of allocations from the State budget to political organisations (parties) was discussed. The Bureau representatives informed the Council about the progress of the interim report on the implementation of Guidelines for Corruption Prevention and Combating in 2015–2020 and the Bureau Operational Strategy for 2020–2022. The participants of the Council meeting reached a consensus about the need to keep expanding the co-operation, both by organising Council meetings more frequently to the extent possible, and by creating working groups for experts to discuss various matters in greater detail.



### **3. Performance of the Bureau in Combating Corruption**

Pursuant to the Law on Corruption Prevention and Combating Bureau, the Bureau holds public officials administratively liable and applies sanctions for administrative offences in the field of corruption prevention, and, to combat illegal financing of political organisations (parties) and corruption-related criminal offences in the services of public authorities, the Bureau carries out investigative and operational activities, departmental investigations and criminal procedural actions, as well as provides assistance to foreign countries with procedural actions, if those are related to the investigation of corruption.

The report on the results of operational activities (overview of the results of operational activities and related statistical data) was submitted to the Cabinet of Ministers in accordance with the Cabinet 12 June 2007 Instruction No. 10 "Procedures by which the Cabinet of Ministers Controls the Performance of Tasks of Bodies Performing Operational Activities" and is classified. Pursuant to Sub-paragraph 2.5.2 of the Cabinet 16 August 2016 Regulations No. 537 "Regulations on the Information to be Included in the Report of the Anti-Corruption Bureau to the Cabinet of Ministers and Saeima", the Bureau submitted this information to the Saeima as a separate document.

#### **3.1. Criminal Investigation**

In 2019, the Bureau initiated 47 criminal proceedings, of which 30 were initiated based on information supplied by the Operational Activities Department, five were separated from existing criminal proceedings, two were initiated based on reports from the Administrative Investigation Department and one criminal proceeding was initiated following a report received from the Department of Strategy. In addition, the Bureau initiated two criminal proceedings to apply coercive measures against a legal person. Compared to 2018, the number of criminal proceedings initiated by the Bureau in 2019 has increased by 23.7% or 9 criminal proceedings. The number of criminal proceedings initiated in 2019 is the highest in the last 10 years which is due to pro-active actions by Bureau officials in detection of criminal offences and information analysis. Moreover, with the increase of public trust in the Bureau, the public provides a significantly larger, more comprehensive amount of information about suspected criminal offences.

Most of the criminal proceedings initiated during the reporting period concern unlawful actions with the financial resources and property of a public person, organisation of public procurements, actions during the construction process, actions of law enforcement agencies implementing functions thereof, as well as monitoring and control functions. It can therefore be concluded that in 2019 corruption risks remained high in the field of public procurements, while there was simultaneously a significant increase in the number of criminal proceedings initiated for suspected unlawful actions with the financial resources and property of a public person. Corruption risks at institutions, which have been delegated control, supervision and penalizing functions, remain constantly elevated.

Most of the criminal proceedings initiated during the reporting period concerned criminal offences such as forgery committed by an official, bribe-giving, bribe-taking, abuse of office, and the upward trend in the number of criminal proceedings initiated for money laundering continued from the previous year (see Figure 6).

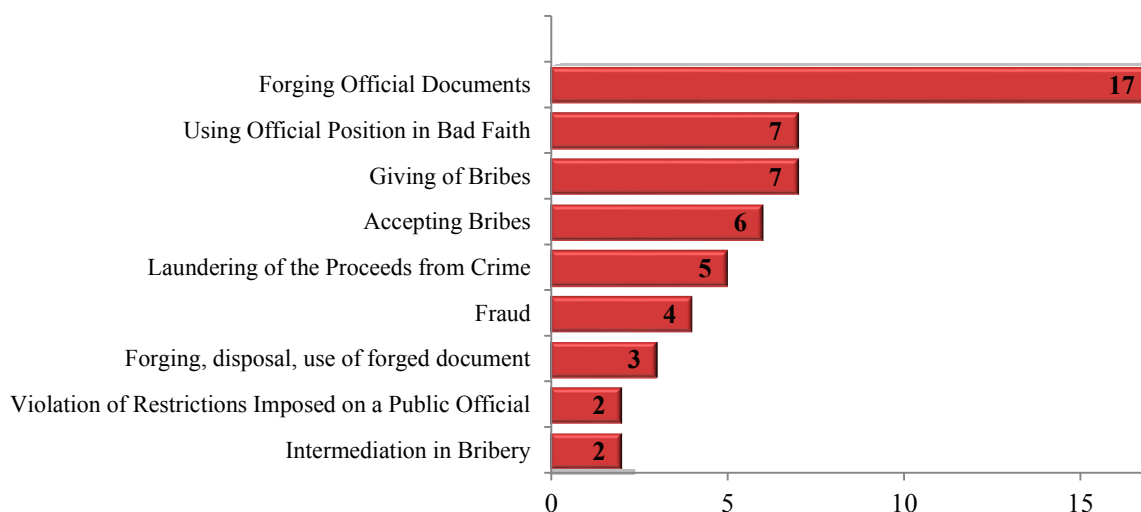


Figure 6. Criminal offences investigated within the initiated criminal proceedings

In 2019 the Bureau sent 15 criminal proceedings against 31 persons (see Figure 7) to the prosecution bodies for prosecution, and 15 criminal proceedings handled by the Bureau were terminated.

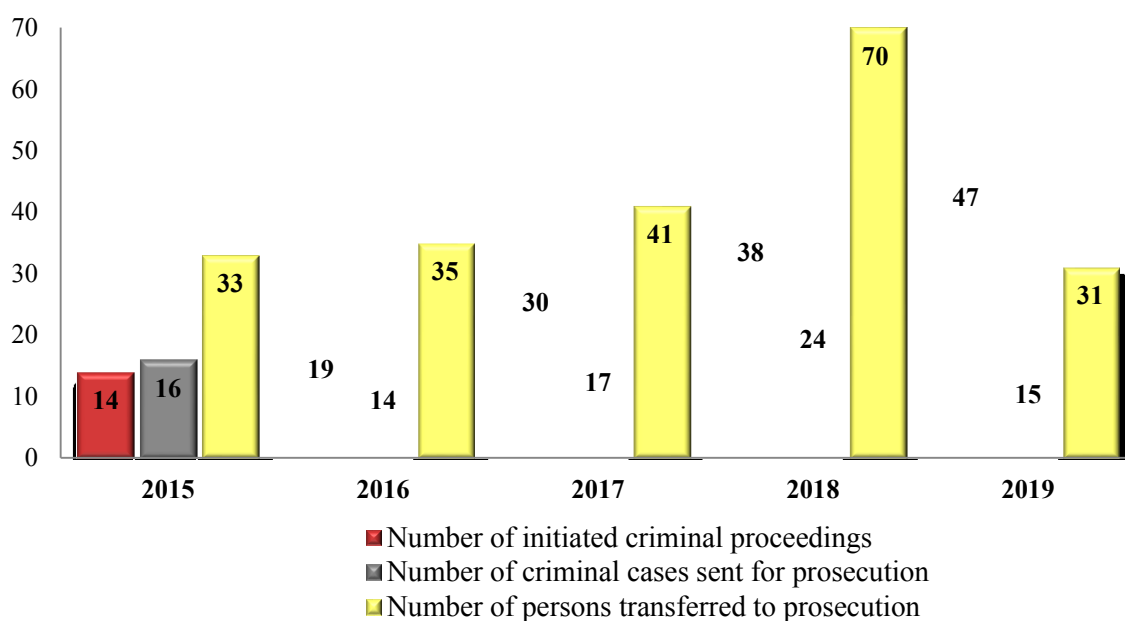


Figure 7. Number of criminal proceedings initiated, the number of criminal proceedings and persons proposed for prosecution

Last year an average of 2 persons were proposed for prosecution in each of the criminal proceedings investigated by the Bureau, which suggests that often more than one person is involved in the planning and execution of a corruptive criminal offence.

Most of the criminal proceedings sent for prosecution during the reporting period were about criminal offences in local governments (incl. local government capital companies), provisions of court and law enforcement agency functions, public procurements and the work of public administration bodies. Corruptive behaviour was also observed in the financial sector and commercial activities. Furthermore, criminal offences related to firearms and ammunition were also detected during the investigation of criminal proceeding (see Figure 8).

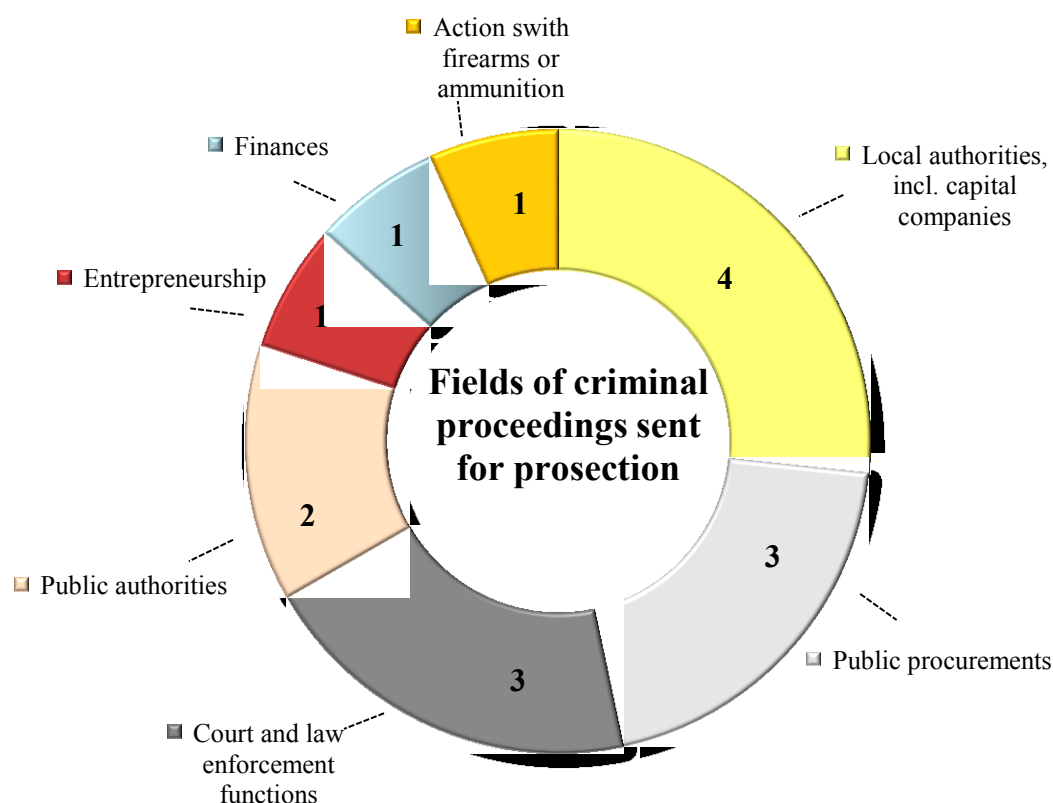


Figure 8. Breakdown of criminal proceedings sent for prosecution by sector

The majority (80%) of the criminal proceedings sent for prosecution last year were initiated in 2018 and 2019, which demonstrates the Bureau's ability to perform investigation of suspected corruptive criminal offences efficiently and within a reasonable period of time. Out of the 47 criminal proceedings initiated in 2019, seven were sent to the Prosecutor's Office for prosecution during the reporting period, and, of those, four criminal proceedings were forwarded to the court, and in one case the court proceeding has been completed. The average period for the Bureau to complete investigation of criminal proceedings initiated during the reporting period was 9 months.

Most of the persons whom the Bureau proposed for holding criminally liable in 2019 were suspected of forgery of documents and use of forged documents, fraud, bribe-giving and bribe-taking (see Figure 9).

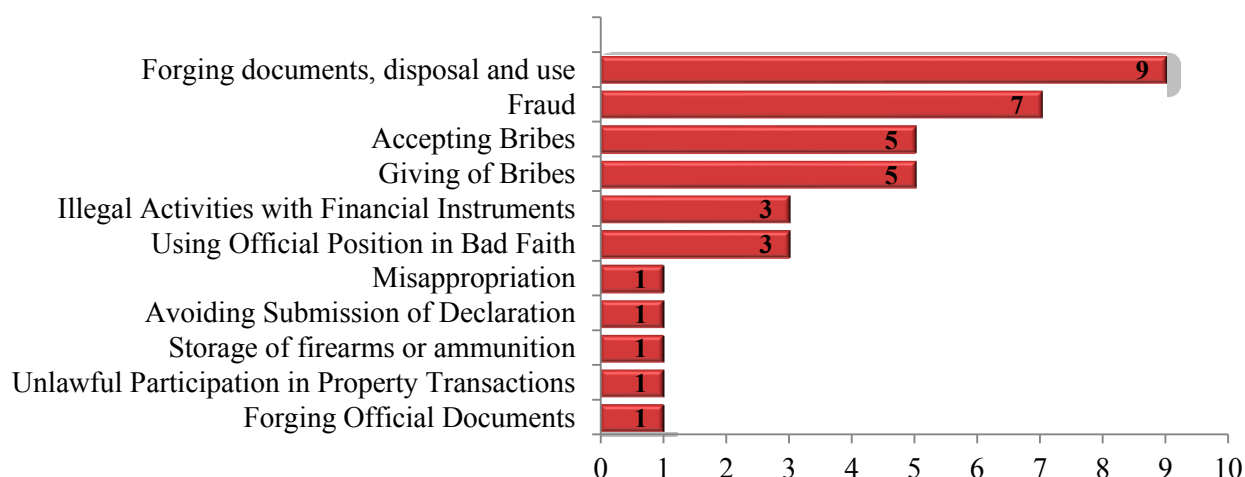


Figure 9. The number of persons proposed for prosecution by type of offence

In one of the criminal proceedings initiated by the Bureau in 2019, the investigation was completed in a week and the case was sent to the Prosecutor's Office for prosecution for bribe-giving. Two weeks later the Prosecutor's Office forwarded the criminal proceeding to the court and in another two months the court passed a judgement, sentencing the accused to 200 hours of community service and an additional penalty – restriction of rights (depriving the person of the driving licence for 1 year and 9 months). It took four months from the initiation of the criminal proceeding to the court judgement which suggests that the Bureau can investigate and the court can pass judgements in fairly simple criminal proceedings in a relatively short time span.

Table 1 contains a summary of the major criminal proceedings which the Bureau sent for prosecution in 2019.

Table 1. Major criminal proceedings sent for prosecution

<b>Case No. 1</b>
An official of <i>Centrāltirgus</i> PLC (Central Market), aided by two natural persons, systematically extorted and accepted bribes from vendors totalling EUR 6 435.00. Having assessed the obtained evidence, the Bureau proposed to initiate criminal proceedings against one person for accepting bribes and attempts thereof, and against two persons for aiding and abetting bribe-taking and attempted bribe-taking.
<b>Case No. 2</b>
A natural person contacted a representative of a legal person, and offered to help the legal person, for a fee of EUR 10 000.00, to reduce the tax debt calculated by the State Revenue Service from EUR 1 600 000.00 to EUR 160 000.00 (later changing the amount to EUR 330 000.00). The natural person created a pretence that the EUR 100 000.00 fee was to be handed over to an official of the State Revenue Service. At first the Bureau initiated a criminal proceeding over suspected requesting of a bribe but, having assessed the evidence obtained during the investigation, re-classified the offence as attempted fraud and proposed to initiate criminal prosecution against one person for attempted fraud.
<b>Case No. 3</b>
A natural person demanded from a representative of a Bank an amount equal to 15% of the Bank's assets (EUR 97 375 800.00) allegedly for passing the money to the officials of the Finance and Capital Market Commission in order to secure the approval of the liquidator chosen by the Bank in its liquidation process. The natural person created pretence that she had access to information of the Finance and Capital Market Commission. At first the Bureau initiated a criminal proceeding over suspected requesting of a bribe but, having assessed the evidence obtained during the investigation,



re-classified the offence as attempted fraud and proposed to initiate criminal prosecution against one person for attempted fraud.
<b>Case No. 4</b>
An official of the Daugavpils City Council requested from a natural person a bribe of at least EUR 10 000.00 to ensure that the company owned by the natural person would be awarded the municipal contract in a tender organised by the Daugavpils City, and the natural person promised the official of the Daugavpils City Council to pay the requested bribe in the amount of at least EUR 10 000.00. Having assessed the obtained evidence, the Bureau proposed to initiate criminal prosecution against one person for requesting a bribe and against the other person for promising a bribe.
<b>Case No. 5</b>
An official of SIA <i>Rīgas 1. slimnīca</i> (Riga Hospital No. 1) and a natural person, being a representative of a Company, agreed to the forgery of procurement documents. In 2019, the official of SIA <i>Rīgas 1. slimnīca</i> organised a tender for the services that the Company had already been supplying in 2018 and agreed with two natural persons from the Company to carry out a criminal intent aimed at illegally obtaining EUR 9 495.73 from the municipal budget. Having assessed the evidence obtained, the Bureau proposed to initiate criminal prosecution against one person for abuse of office, forgery of documents and attempted fraud, against the second person for attempted fraud and forgery of documents and against the third person for attempted fraud.

In 2019, the officials of the Bureau examined 652 submissions, assessing the information about suspected criminal offences. Last year the Criminal Investigation Department and the Operational Activities Department of the Bureau initiated a total of 237 departmental inspections, and completed 192 departmental inspections during the reporting period. Compared to 2018, the number of examined applications has increased by 30.8%, the number of departmental inspections grew by 24.5% and the number of completed departmental inspections increased by 26.0%.

During the reporting period the following assets were seized as part of the criminal proceedings handled by the Bureau: 19 immovable properties, 5 gold bars (weighing 2.5 kg, approximate value EUR 100 000.00), cars, as well as money and securities for the total value of more than EUR 4.4 million. Altogether 39 decisions were made in six criminal proceedings to seize financial resources or assets, including seizing of financial resources or assets located abroad. In response to requests for legal assistance from other countries, financial resources or assets of four persons were seized.

In 2019, the Bureau received 53 requests for legal assistance from France, the USA, Malta, Ukraine, Kazakhstan, Peru, the United Kingdom, Poland, Russia, Germany, Spain, Mongolia and the Netherlands. Most of the requests for legal assistance were received from non-EU countries. During the reporting period, the Bureau satisfied 70 requests for legal assistance received from foreign countries, which is a 30% more compared to the previous year.

To ensure the collection and corroboration of evidence in the criminal pending in the Bureau, 19 requests for legal assistance were prepared by the employees of the Bureau in 2019 for sending them to foreign countries. Most of the requests for legal assistance were prepared for sending to EU member states.

### 3.2. Control of Activities of Public Officials

To ensure that public officials work in the interests of the public and to prevent any influence of personal or financial interests of public officials, their relatives or business

partners on the activities of public officials, the Bureau controls compliance with the Law on Prevention of Conflict of Interest in Activities of Public Officials (hereinafter – the Law on Prevention of Conflict of Interest) and additional restrictions applicable to public officials under other laws and regulations.

In carrying out the functions of the Law on Corruption Prevention and Combating Bureau in the field of control of activities of public officials, in 2019 the Bureau provided 152 written explanations regarding the application of the provisions of the Law on Prevention of Conflict of Interest.

During the reporting period the Administrative Investigation Department of the Bureau initiated 464 departmental inspections and completed 457 departmental inspections. Compared to 2018, the number of the departmental inspections initiated by the Bureau last year has increased by 19%, and the number of the departmental investigations completed – by 12%.

Upon review of applications and complaints about suspected conflicts of interest in the activities of public officials, information provided in the declarations of those public officials was examined to check their compliance with the restrictions, prohibitions and obligations specified in the Law on Prevention of Conflict of Interest. Altogether 473 public officials were checked, examining the information provided in the declarations of 623 public officials.

A total of 186 administrative proceedings were initiated for non-compliance with the restrictions applicable to public officials under the Law on Prevention of Conflict of Interest, and 151 decisions were adopted, as well as 69 resolutions were prepared about dropping the administrative charges.

In 2019, the Bureau fined 92 public officials for a total of EUR 9 930.00, and 42 public officials were given a verbal reprimand in accordance with Section 21 of the Latvian Administrative Violations Code. The changes in the number of decisions adopted and fines imposed over time are shown in Figure 10.

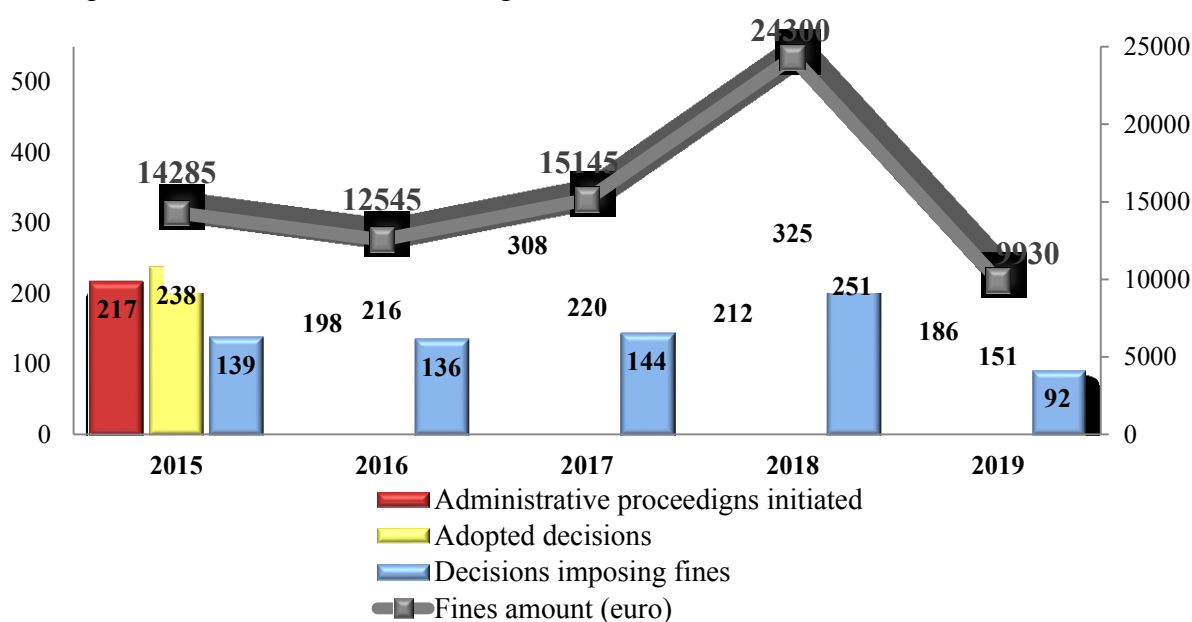


Figure 10. Number of decisions taken and the total amount of fines

Of the decisions made by the Head of the Administrative Investigation Department last year in administrative violations cases, 151 decisions have entered into force. The administratively punished persons appealed against 16 of the aforementioned decisions to the

Director of the Bureau and, based on the complaints received, the Director of the Bureau annulled two decisions taken by the Administrative Investigation Department of the Bureau. During the reporting period the administratively punished persons appealed in Court against 9 decisions of the Director of the Bureau.

Compared to 2018, the number of the decisions adopted by the Bureau fell steeply in the reporting year, which can be explained by the fact that, compared to the previous year, in 2019 considerably less violations by public officials – members of local councils, when jointly making decisions of the local council, – were detected (for example, a large number of decisions taken in 2018 were about the approval of expenditures from the municipal budget for publishing a municipal newspaper in Russian and thus allocating municipal finances for purposes not provided for in laws and regulations).

In 2019, most of the decisions concerning non-compliance with restrictions specified in the Law on Prevention of Conflict of Interest were related to violation of the restrictions on combining offices (43 decisions or 28.5%).

Similar to previous years, the most common violations detected last year concerned the actions of public officials with the financial resources and property of a public person (29 decisions or 19.2%) and the use of the information available to public officials in relation to their official duties for personal gain (26 decisions or 17.9%). Compared to 2018, last year the number of public officials whom the Bureau held administratively liable for violating the restrictions on combining several offices, actions with financial resources and property of a public person and the use of information available to public officials in relation to their official duties for personal gain decreased. However, the number of public officials whom the Bureau held administratively liable for actions in conflict of interest situations in 2019 has increased by 15% compared to 2018. See the breakdown of decisions made by type of offence in Figure 11.

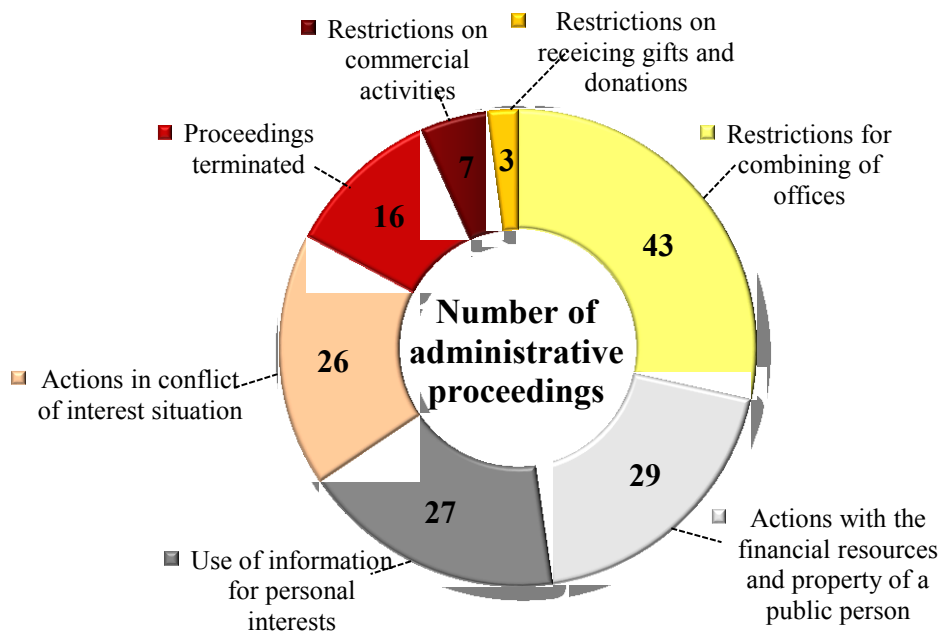


Figure 11. Breakdown of the decisions taken by type of offence

Based on the decisions made by the Bureau in administrative proceedings, 97 public officials paid into the state budget administrative fines totalling EUR 9 970.00 in 2019. When a person who is being held administratively liable has obtained income or other gains, causing

monetary losses to the State administrative order, the Bureau makes a decision on compensation to the state in the amount of the gains received as a result of the violated restrictions specified in the Law on Prevention of Conflict of Interest. Last year the Bureau adopted 7 decisions requesting compensations in the total amount of EUR 18 283.19 for damages caused to the State.

In accordance with the Administrative Procedure Law and the State Administration Structure Law, public officials are required to repay the income received in violation of the provisions of the Law on Prevention of Conflict of Interest. As a result there were two cases in 2019 when administrative arrangements were made about compensation of losses to the State amounting to EUR 20 176.00.

### **3.3. Control of Financing of Political Parties and Election Campaigns**

The Bureau controls the enforcement of the regulations on financing of political organisations (parties) and associations thereof and, in the cases specified in the law, holds the guilty persons administratively liable and penalizes them. The Bureau compiles and analyses information about the annual reports submitted by the parties, the violations detected therein and cases of non-compliance with the restrictions specified in the law. Before the elections of the Saeima, the national elections to the European Parliament and the local government, the Bureau within the limits of its competence enforces compliance with the restrictions on election campaigns, and after the elections examines the income and expenditure declarations submitted by the political organisations (parties) and their associations.

The national European Parliament elections in Latvia took place on 25 May 2019. Therefore ensuring control over compliance with the restrictions on the election expenditure and the election campaigns was among the priorities of the Bureau during the reporting period. As part of this task, the Bureau processed 970 notifications about contracts concluded for the placement of election advertisements, charity and sponsored events, as well as performed on-site inspections and cross-referenced the data, including comparison of the data on the election expenditure in possession of the Bureau with the data obtained through independent monitoring.

At the same time, of the Bureau also monitored social networking sites for possible hidden pre-election campaigns by the political parties and third parties, and also kept up with the developments in its mobile app "Report to KNAB!". The Bureau continued cooperation and information exchange with social media companies such as Facebook and Google, which had been successfully started the previous year.

Before the national European Parliament elections, the Bureau organised seminars about the restrictions on pre-election campaigns. Also, 72 explanations about the matters related to the financing of political organisations and the provisions under the Pre-election Campaign Law were provided during the reporting period.

During the reporting period, the Bureau analysed transactions of political parties for the total amount of EUR 1 103 679.00 and of third parties for the total amount of EUR 44 762.00. In the course of reviewing the applications and complaints related to violations of election campaign regulations, during the reporting period the Bureau initiated 77 departmental inspections and 120 departmental inspections were completed by the end of 2019.



As regards control of compliance with the Law on Financing of Political Organisations (Parties), during the reporting period the Bureau published 498 reports about donations (gifts), commencing inspections thereof, and completed the inspections of 627 reports.

In 2019, the Bureau officials initiated 48 administrative proceedings (up by half from the previous year) against political parties and other legal or natural persons for violation of the provisions under the Law on Financing of Political Organisations (Parties) and the Pre-election Campaign Law. During the reporting period, 40 decisions were taken in administrative proceedings, including 36 cases when fines totalling EUR 14 370.00 were imposed for violations of the restrictions under the Law on Financing of Political Organisations (Parties) and the Pre-election Campaign Law. The decisions taken during the last five years are shown in Figure 12.

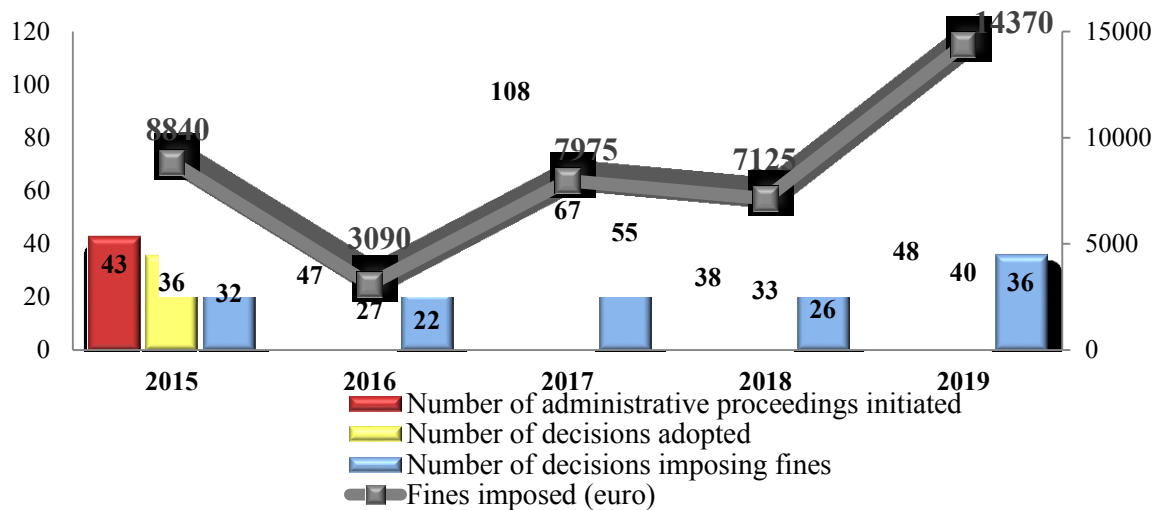


Figure 12. The number of the decisions taken and the total amount of fines

Last year administratively punished persons submitted appeals to the Director of the Bureau against 5 decisions made in the administrative proceedings by the Head of the Division for Investigation of Violations of Political Organisations. Based on the received complaints, the Director of the Bureau annulled one decision by the Head of the Division for Investigation of Violations of Political Organisations. During the reporting period there were 3 cases when the administratively punished persons appealed against the decisions by the Director of the Bureau to the court, but all were upheld by the Court.

Furthermore, in 2019 the Bureau adopted 7 decisions about repaying illegally received financial resources to the State budget and instructed the guilty parties to repay into the State budget a total of EUR 24 3668.44. During the reporting period, the political organisations (parties) and other legal and natural persons repaid into the State budget the illegally received financial resources in the amount of EUR 46 150.57, as instructed by the Bureau. Also, EUR 201.26 of the illegally received financial resources and fines in the amount of EUR 9 008.15 were repaid to the State budget voluntarily.

In 2019, nine political parties (Social Democratic Party “Harmony”, KPV LV, New Conservative Party, Development/For!, Latvian Alliance of Regions, National Alliance VL!-TB/LNNK, Union of Greens and Farmers, New Unity, The Progressives) were granted financing from the State budget totalling EUR 631 640.81.

Section 7.<sup>1</sup> of the Law on Financing of Political Organisations (Parties) was amended on 14 November 2019, introducing new provisions for determining the amount of the

financing from the State budget to be granted to the political parties and associations thereof, and procedures for making the payments. Financing from the State budget is granted to a political party or an association of political parties, which received more than two percent of votes in the last elections of the Saeima. The amount due per calendar year is calculated based on the following – EUR 4.50 for each vote received in the last Saeima elections, EUR 0.50 for each vote received in the last national European Parliament elections and an extra EUR 100 000.00, if the party received more than five percent of votes in the last Saeima elections. Under the statutory procedure, financing from the State budget shall be transferred to the account of a political party in a Latvian-registered credit institution in two semi-annual instalments – by 15 January and by 15 July.

During the reporting period, the Electronic Data Entry System (EDIS) was developed and put into operation. The system is intended for political parties and associations thereof to submit information about admission fees, membership fees, donations received and returned, election income and expenditure, as well as the annual report. The use of the EDIS (granting of the access rights) will begin in 2020.

#### **4. Personnel Policy and Internal Control**

In 2019, the Bureau operated in accordance with the new, carefully considered and analysis-based internal structure that was introduced last year. The work of the newly-created structural units is focused primarily on prevention, detection and investigation of criminal offences, as well as dealing with the administrative proceedings while implementing the planned anti-corruption measures.

As of 31 December 2019, 135 out of 150 positions on the Bureau's payroll were filled. There are 54 men and 81 women employed at the Bureau. During the reporting period, 23 persons began their service at the Bureau and 6 persons terminated their service at the Bureau which is one of the best staff (employee) turnover rates in the history of the Bureau.

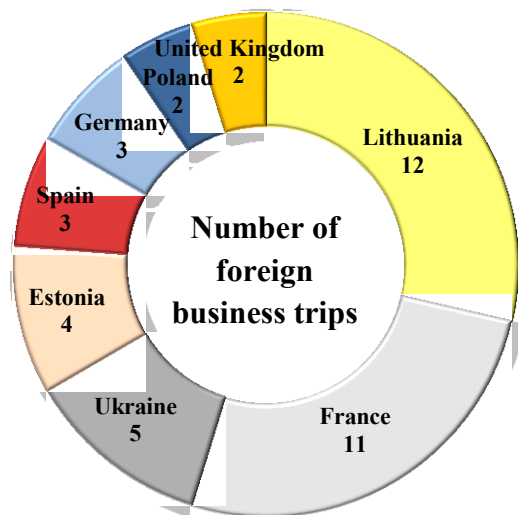
The Bureau uses various personnel selection methods in the recruitment of employees. The mandatory eligibility requirements for potential employees of the Bureau are specified in the Law on Corruption Prevention and Combating Bureau. In addition, during the personnel selection procedure, the candidates are vetted by the national security authorities for compliance with the requirements under the Law on Official Secret for receiving a personnel special security clearance for access to official secret. During the reporting period the Bureau improved its internal regulations specifying the personnel selection procedure, the physical fitness test procedure for the Bureau's officials, etc.

The employees of the Bureau are provided health insurance, accident insurance, benefits, compensations and reimbursement of other expenses provided in laws and regulations, including additional payments for the length of service that started to apply in 2019.

Taking into account the fact that the Whistleblowing Law entered into force on 1 May 2019, the Bureau amended its Rules of Procedure and the Department of Strategy Rules of Procedure to include this function, and job descriptions were updated accordingly.

In 2019, the officials of the Bureau attended 43 conferences, seminars, training and further training events about corruption prevention and combating, money laundering, conflict of interest, procurement and other key subjects.

Also, 67 officials of the Bureau went on business trips in Latvia and 71 officials went on business trips abroad to participate in conferences, various working groups (cross-institutional or organised by foreign institutions), or on experience exchange visits (see Figure 13).



*Figure 13 Destination countries most frequently visited by the Bureau's officials and employees on their foreign business trips*

The personnel management system *Horizon* and the employee self-service portal *Hop* are being introduced for more efficient functioning of the Human Resources Division. The introduction of these software tools will help reduce the administrative burden and speed up personnel management.

Three internal audits of personal data protection, personnel management and investigation of criminal offences were carried out at the Bureau in 2019. As a result, the structural units of the Bureau were given 18 recommendations for the improvement of certain aspects. Of those recommendations, 11 were implemented by the end of 2019. Furthermore, 2 recommendations made after the audits conducted in the previous periods were implemented during the present reporting period. The audits concluded that the internal control system is sufficiently effective to ensure performance of the risk management, control and management procedures in the Bureau.



## 5. Implementation of the Bureau's Operational Strategy

The Bureau's operations during the reporting period were based on the objectives and priorities identified in the Bureau's Operational Strategy for 2018–2019. The performance-based indicators of the implementation of the Bureau's Operational Strategy are shown in Table 3.

*Table 3. Performance-based Indicators*

Objective	Result	2016 perf.	2017 perf.	2018 perf.	2019 Target	2019 perf.	Comment
To reduce the spread of corruption	The Corruption Perceptions Index (rating on a scale of 0 to 100 points, where 100 means that corruption is non-existent) has improved	57	58	58	61	<b>56</b>	Objective not accomplished. The analysis of available information revealed that data from nine separate sources are added up to obtain the score that determines the Corruption Perceptions Index. It was concluded that Latvia must continue improving corruption prevention and combating, strengthening the judicial capacity, increasing efficiency and transparency in public administration, including the management of state-owned and municipal companies, reducing economic inequality, as well as encouraging public intolerance of corruption.
To improve the knowledge of public officials about anti-corruption requirements	Tests conducted during the educational events show an increase in the number of public officials knowledgeable in anti-corruption requirements	84%	88%	86%	86%	<b>87%</b>	Objective accomplished. High-quality educational materials have been developed, and the training for public officials is conducted by Bureau officials highly competent in explaining the application of laws and regulations.

Objective	Result	2016 perf.	2017 perf.	2018 perf.	2019 target	2019 perf.	Comment
To detect and investigate criminal offences	Criminal offences detected	60	65	131	65	<b>56</b>	Objective not accomplished. During the reporting period, the officials of the Bureau sent 15 criminal proceedings to the Prosecutor's Office for prosecution and initiated 47 criminal proceedings. There is still a severe shortage of investigators in the Bureau, therefore, with the increase in the number of criminal proceedings initiated in 2019, it was impossible to simultaneously increase the number of the criminal proceedings sent to the Prosecutor's Office for prosecution.
	The proportion of criminal proceedings sent for prosecution and not rejected by the Prosecutor's Office	92.9%	88.2%	91.7%	95%	<b>100%</b>	Objective accomplished. During the reporting period the Prosecutor's Office did not reject any of the criminal proceedings that the Bureau had sent for prosecution.
	The number of criminal proceedings initiated by the Bureau according to the information of the Bureau's Operational Activities Department	6	11	17	14	<b>30</b>	Objective accomplished. The Bureau's Operational Activities Department greatly contributes to comprehensive and effective investigation, participating in investigation groups and performing procedural assignments during the criminal proceedings, including implementation of special investigation operations.
To make lawful and substantiated decisions regarding control over financing of	The ratio of the Bureau's decisions on administrative violations and repayment of illegal financial resources which have not been	100%	100%	100%	98%	<b>97.5%</b>	During the reporting period the Director of the Bureau annulled one decision taken by the Head of the Division for Investigation of Violations of Political Organisations.

political parties	annulled						
To reduce the role and impact of money in politics	Violations detected in financing of political parties and organisation of election campaigns	26	66	33	25	<b>40</b>	As the European Parliament elections in Latvia took place in 2019, the Bureau ensured efficient monitoring of the election campaigns and financing of the political parties.

Objective	Result	2016 perf.	2017 perf.	2018 perf.	2019 target	2019 perf.	Comment
To ensure that the decisions made by the Bureau on control of public officials are lawful and substantiated	The ratio of decisions made by the Bureau on administrative violations in corruption prevention which have not been annulled	99.54%	98.3%	99.08%	98%	<b>98.68</b>	During the reporting period, the Director of the Bureau annulled two decisions made by the Head of the Administrative Investigation Department.
To exercise control over public officials in the prevention of conflict of interest	The decisions made by the Bureau on violations of the provisions of the Law on Prevention of Conflict of Interest	263	297	325	255	<b>151</b>	The number of decisions made by the Bureau during the reporting year dropped sharply, which can be explained by the fact that, contrary to 2018, no reports were received in 2019 about suspected violations by public officials when collectively voting on issues such as approval of allocations from the municipal budget for publishing a municipal newspaper in Russian and thus allocating municipal finances for purposes not envisaged in laws and regulations, or establishing higher remuneration for members of a local council than is permitted in laws and regulations.

	The number of the declarations of public officials (the number of public officials) reviewed	872	1190	783	950	<b>473</b>	Objective not accomplished because last year the Bureau received fewer complaints and applications about offences committed by public officials regarding prevention of conflict of interest.
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## 6. Use of Budget Resources

In 2019 the Bureau was allocated EUR 6 451 313 from the State budget. In addition, the Bureau received financing from the State budget programme 02.00.00 "Funds for Unforeseen Events" in the amount of EUR 217 876 for the provision of security measures, purchase of logistical equipment and execution of a ruling by the Administrative Regional Court. A priority measure for the strengthening of the capacity of the Bureau in 2019 was approved within the scope of the Norwegian Financial Instrument for the amount of EUR 350 000. In the reporting year, the Bureau also received EUR 52 970 from the Confiscated Criminal Proceeds Fund to improve its technical facilities, as well as covered extra expenses, reducing the paid services balance in the previous year by EUR 23 800. The use of the budget resources is shown in Table 4 that has been filled in as prescribed in the Appendix to the Cabinet of Ministers Regulations No. 413 of 5 May 2010 "The Regulations on Public Annual Reports".

*Table 4. Use of Budget Resources*

No.	Financial indicators	2018 (actual implementation, EUR)	2019	
			approved by the law (EUR)	actual implementation (EUR)
1.	Financial resources to cover expenses (total)	5 863 266	6 451 313	6 451 313
1.1.	grant funding	5 839 466	6 398 343	6 398 343
1.2.	paid services and other own revenue	—	—	—
1.3.	foreign financial aid	—	—	—
1.4.	donations and gifts	—	—	—
1.5.	state budget transfers	23 800	52 970	52 970
2.	Expense (total)	5 644 485	6 475 113	6 462 461
2.1.	maintenance costs (total)	5 523 890	6 254 557	6 249 510
2.1.1.	current expenses	5 045 742	5 615 117	5 610 072
2.1.2.	interest expenses	—	—	—
2.1.3.	subsidies, grant funding and social benefits	470 728	631 642	631 641
2.1.4.	regular payments to the budget of the European Community and international cooperation	7 419	7 798	7 798
2.1.5.	maintenance cost transfers	—	—	—
2.2.	capital expenditure	120 596	220 556	212 951

***HONOUR ABOVE POWER!***

Director of the Corruption Prevention  
and Combating Bureau  
J. Straume