



Corruption Prevention and Combating Bureau

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Dear Reader,



Year 2007 for the Corruption Prevention and Combating Bureau and the history of Latvia was the time when criminal offences detected by the Bureau in state and local government institutions, well as the cases of illegal activities by some political parties during the pre-election period marked so striking contradictions between the goals and ideals of the Bureau and those of representatives of the power that the society walked out in the streets to support the activities and independence of the Bureau.

Activity of the Bureau is carefully supervised and monitored in all the areas of its operation and especially in criminal proceedings. Suspects and their advocates use all possible mechanisms of appeal. They often try to provoke us by disseminating corrupt or false information through mass media being aware that the Bureau must protect the investigation secret and we are not allowed to comment a respective case. Therefore, in order to ensure that our investigators and inspectors can work in quality and efficient manner, many efforts had to be made to exclude mistakes in fulfilment of the duties entrusted to our office. Rule of law is the keynote of our activity, accordingly – officials of the Bureau are persistent in provision of the same. Of course, accuracy and protection of personal rights demand time: reviewing of cases might not be as smooth as observers would wish. However, our principle “Measure off seven times and cut only once” has proven right: all the cases initiated by the Bureau in 2007 have been accepted by the prosecutor's office for reviewing to start criminal prosecution, at least 90% of the decisions made by the Bureau in administrative violation cases in court have entered into force.

To assess in general, I am truly satisfied that, in most cases, state authorities have prepared anti-corruption plans and that the number of corruptive crimes tends to decrease gradually.

Fight against corruption is not quickly manageable work and we will not be able to mark a day in the calendar that corruption has been eradicated starting from that day. Therefore, the Corruption Prevention and Combating Bureau must consistently fulfil its mission despite all the difficulties:

We take action against corruption with the full strength o law and public support, in order to achieve integrity in the exercise of power entrusted to public officials, for the good of society and the national interest.

Corruption Prevention and Combating Bureau
Director

Aleksejs Loskutovs

Introduction

Year 2007 was significant in the history of the Bureau in at least three ways: first, as a result of control of political parties' finances, serious violations were disclosed in pre-election campaigning of two political parties, which caused great reaction in the society, second, within the framework of corruption combating activities, corruptive criminal offences committed by officials of law enforcement customs and border control institutions were detected, that, hopefully, will allow the institutions to improve their performance considerably in the future; third – the Director of the Bureau was temporarily suspended from his duties, that received protests among the society, and as a result the Director was restored in his position.

Research and examinations made by the officials of the Bureau in 2007 confirm that the spread of administrative corruption in Latvia is diminishing every year, and it is largely the effect of successful work of the Bureau in corruption combating and prevention. On the one hand, the control of activities of public officials has become more efficient by strengthening the inevitability of punishment. On the other hand, according to the initiative of the Bureau, government and local government authorities have started introduction of their own internal organisational anticorruption measures. Thus, the impact of arbitrariness and misuse of authority by officials on the administrative decision making process becomes less possible, demanding of bribes – one of the most dangerous types of corruptive act – becomes less occasional or is not that open and direct. Studies show that the situation with corruption of top level public officials has not improved and the desire to acquire wealth at the expense of public resources in the act of individual officials is still remaining however implemented in more hidden way.

Due to increasing professionalism of investigators of the Bureau and the capacity of the investigation branch, more and more complicated criminal offences are detected in the public service. The number of detected criminal offences increases where top level public officials are involved. These crimes are characterised by high conspiracy level, sophisticated bribery schemes with various intermediaries who are well acquainted among themselves for a long time. Individuals with high level of education and professional skills are involved in planning and committing of such crimes, which makes the detection of a criminal offence utmost difficult. More often, several episodes of criminal offences committed by the same individuals are established and detected. Criminal cases investigated by the Bureau are of large scope and demand great time and human resources for gathering and fixing the base of evidences.

In 2007, the Investigation Division of the Bureau started 30 criminal proceedings. For initiation of prosecution, 18 criminal cases against 46 individuals were sent to the prosecutor's office, 14 criminal proceedings were terminated. 5 criminal cases were sent to other investigation authorities

according to their competence. 6 criminal cases were received from other investigation authorities. 56 decisions as resolutions were made on rejection to initiate criminal proceedings. Majority of the criminal offences were related to bribery, receiving of a bribe and misappropriation of bribes.

One of the largest fields of operation of the Bureau is the control of activities of public officials and prevention of conflict of interest. Identifying of corruptive administrative violations is very complicated. In order to detect it a voluminous analysis of documents must be made by studying the process of decision making. At the same time quality of administrative decision making performed by the Bureau is confirmed by the fact that approximately 90% of decisions made remain valid in the process of appeal to the Director of the Bureau.

In general, the number of complaints and applications received since 2005 is decreasing. At the same time the number of individuals hold administratively liable has remained in the previous level.

During 2007, the Bureau has made 691 examinations in relation to conflict of interest situations. 131 administrative examination cases were started in 2007 for violation of the restrictions set to public officials under Law "On Prevention of Conflict of Interest in Activities of Public Officials". 91 public officials were hold administratively liable by applying fines for a total amount of 7,756 lats.

In general, the Division of Control of Public Officials Activities of the Bureau detected 154 administrative violations in 2007. From those, 71% or in 109 cases (66% in the last year), administrative violation was related to violation of restrictions and prohibitions imposed on public officials. The second most common type of administrative violations is non-reporting by public officials about being in situation of conflict of interest.

Considerable burden in daily work of the Bureau is the still unsolved division of competences between the Bureau and the State Revenue Service (SRS) in the matter related to examination of declarations submitted by officials. The SRS must verify the authenticity of submitted declarations but the Bureau must examine whether the details provided therein do not give evidence about conflict of interest. However, the SRS does not support such a position. Violations by some political parties in the pre-election period, which have been established by the Bureau, have contributed to dissatisfaction of representatives of such political parties with the work of the Bureau. However, the Bureau is persistent in continuation of its duty: to follow scrupulously the observance of law in activities of all political parties regardless of their size or participation in the government. The society appreciates it: the population poll at the end of 2007 showed that the society had a positive opinion about the Bureau (45% of the respondents expressed trust in its activities).

Due to the effect of financial audits performed by the Bureau, accounting of political parties is mainly organized according to the provisions of law, however – since the regulations do not provide several important aspects in detail – the Bureau must take into account that political parties will appeal

against decisions made by the Bureau in cases of administrative violations and thus more resources must be invested in gathering of evidences.

The results of control of political parties' finances by the Bureau during the accounting period showed voluminous violations in pre-election expenditure of some political parties. 17 administrative decisions were made regarding such established violations in the reporting period, by applying the maximum administrative penalty of LVL 5,000 to two political parties. In 2007, political parties were instructed to repay any funding which had been received in contrary to the Law on Financing of Political Organisations (Political Parties), totally LVL 30,223.72. 390 reports on gifts (donations) received by political parties were examined in 2007.

Stricter parliamentary supervision of internal anti-corruption measures in institutions has promoted the strengthening of corruption prevention capacities of many public administration bodies. However, in general, anti-corruption measures receive insufficient political support and the legislation initiatives submitted by the Bureau and directed to decreasing or exclusion of the corruption risk are not supported in many cases.

Unfortunately, corruption risk mitigation with new regulations has not been particularly successfully. Amendments to regulations, which have been suggested by the Bureau, often remain in the Cabinet of Ministers or the Saeima without further progress. For instance, amendments to the Criminal Law and the Administrative Violations Code of Latvia (AVCL), which were proposed by the Bureau in relation to financing of political parties were submitted to the government at the same time however only the AVCL have had some progress so far. There are still some fields where there is no regulation at all or it has been insufficient: leasing out of the state and municipal property, criminal liability for serious violations in financing of political parties, protection of individuals who report about conflicts of interest or corruptive criminal offences, control of income of inhabitants, etc.

Social factors like distrust of population to the state administration, disloyal attitude towards adopted laws, comparatively high tolerance to corruption and to non paying tax strengthens the assurance among a part of the society that bribery can solve all the matters in the state administration. Important factor is also lack of knowledge about the negative outcome of corruption and liability for corruptive activities, as well as public official's being in conflict of interest situation. The self-interested action and readiness to abuse the authority by public officials is also influenced by the economic situation in the state and inflation, which decreases the value of legally earned income. Thus, informing and educating of the society and public officials is of special importance. In 2007 for the first time the Bureau addressed the general public by implementing a striking social advertisement campaign. The aim of this campaign was to raise the society's legal awareness and to explain that corruption diminishes the opportunities for inhabitants to participate in policy making and the state administration on fair and legal grounds to a minimum, thus it also threatens the right of citizens to enforce their political will. For the

purpose of drawing attention with the available modest resources, parallels were made between corruption and another type of amoral action – prostitution, in associative and unusual way.

By taking into account the great interest of the society about detected corruptive violations, the Bureau ensures provision of information to the press and provides the link with the society by involving representatives from the non-governmental sector and by organizing various discussions. In order to prevent violations falling under competence of the Bureau, training seminars are organized for various target audiences of public officials. In 2007, about 1,400 public officials were trained in general.

Officials of the Bureau have improved their professional qualification in several fields and according to their work duties: legal matters, management, communication, information technologies, finance and accounting, internal audit, quality management, foreign languages (English and French). Several officials of the Bureau are continuing their studies in higher education establishments in Master's and Doctor's programmes.

Forecast about the eventual developments in the area of anti-corruption

It is not expected that the implemented educational activities would have comprehensive long-term effect in prevention of corruption unless training about anti-corruption measures in institutions, the ethics of public administration and prevention of conflict of interest is not introduced as obligatory and systematic discipline in the whole state administration.

When preparing the next strategic document for the state policy in the field of corruption prevention and combating, the awareness must be raised that efficient state administration is not possible if costs caused by corruption are not decreased.

Corruptive practice on administrative level of the state administration will diminish however it will also remain in some areas. Due to the recent case law, public officials have lost the feeling of legal indemnity; institutions are more often implementing various mechanisms of internal control in order to prevent illegal action.

At the same time, there are areas where the corruption risk will be still considerable, for instance, public procurements, operations with government and local government property and funds, in the field of law enforcement and supervision of activities of entrepreneurs. Mass media plays certainly an important role in corruption prevention by reporting about detected offences and thus preventing public officials from admitting similar violations. However, simultaneously with such publicity, investigation activities and evidence gathering methods of the Bureau are made public. Together with development of modern technologies, it certainly affects the possibilities of detection of crimes. Also the Bureau must improve its capacities by each newly detected case. Investigators must improve their skills and have the necessary capacities in

order to meet the future challenges in successfully investigating criminal offences.

Thanks to the great trust and support from the society, the Bureau accumulates more and more information each year. However, due to this increase of the data, the question about the capacity of the Bureau's officials is also becoming urgent. By taking into account the high requirements and certain deficiencies in provision of social guarantees (term of service, salary), the Bureau meets more difficulties in recruiting sufficiently qualified staff.

Status and Functions of the Bureau

The Bureau is a public administration institution under the supervision of the Cabinet of Ministers. It is performing the functions defined by the law in the areas of corruption prevention and combating, as well as in monitoring of compliance of political organisations (political parties) and their associations with party financing regulations.

Functions of the Bureau in prevention of corruption and education of the society

In the area of prevention of corruption, the Bureau shall develop the National Strategy and the National Programme for Corruption Prevention and Combating, and co-ordinate cooperation of institutions mentioned in the programme to ensure its implementation. The Bureau shall elaborate a methodology for prevention and combating of corruption in state and local governmental institutions, as well as in the private sector. The Bureau shall analyse practice of state institutions in corruption prevention and detected cases of corruption and shall submit its proposals for prevention of any detected shortcomings.

In order to prevent corruption risks in any regulations, the Bureau shall analyse regulations and draft legislation and shall suggest amendments to the same, shall submit proposals for elaboration of new laws.

Functions of the Bureau for prevention of conflicts of interest of public officials

The Bureau shall monitor prevention of conflict of interest in activities of public officials, as well as observance of the prohibitions and additional restrictions for public officials provided for in legislation. In case when any violations of the provisions of Law “On Prevention of Conflict of Interest in Activities of Public Officials” are detected, the Bureau shall charge public officials with administrative liability: the Bureau investigates cases of those administrative violations and imposes penalties for administrative violations falling in its competence in accordance with the Administrative Violations Code of Latvia.

Functions of the Bureau for monitoring financing of political organisations

The Bureau shall monitor compliance with party financing regulations by political parties and in cases determined by law shall charge persons that are found guilty with administrative liability. The Bureau shall summarize and analyse information provided by political parties in financial declarations, violations found in the process of their submission and incompliance of any

restrictions provided by law. The Bureau shall inform the society of any detected violations of party financing regulations by political parties and preventive steps taken at least on an annual basis.

Functions of the Bureau in corruption combating

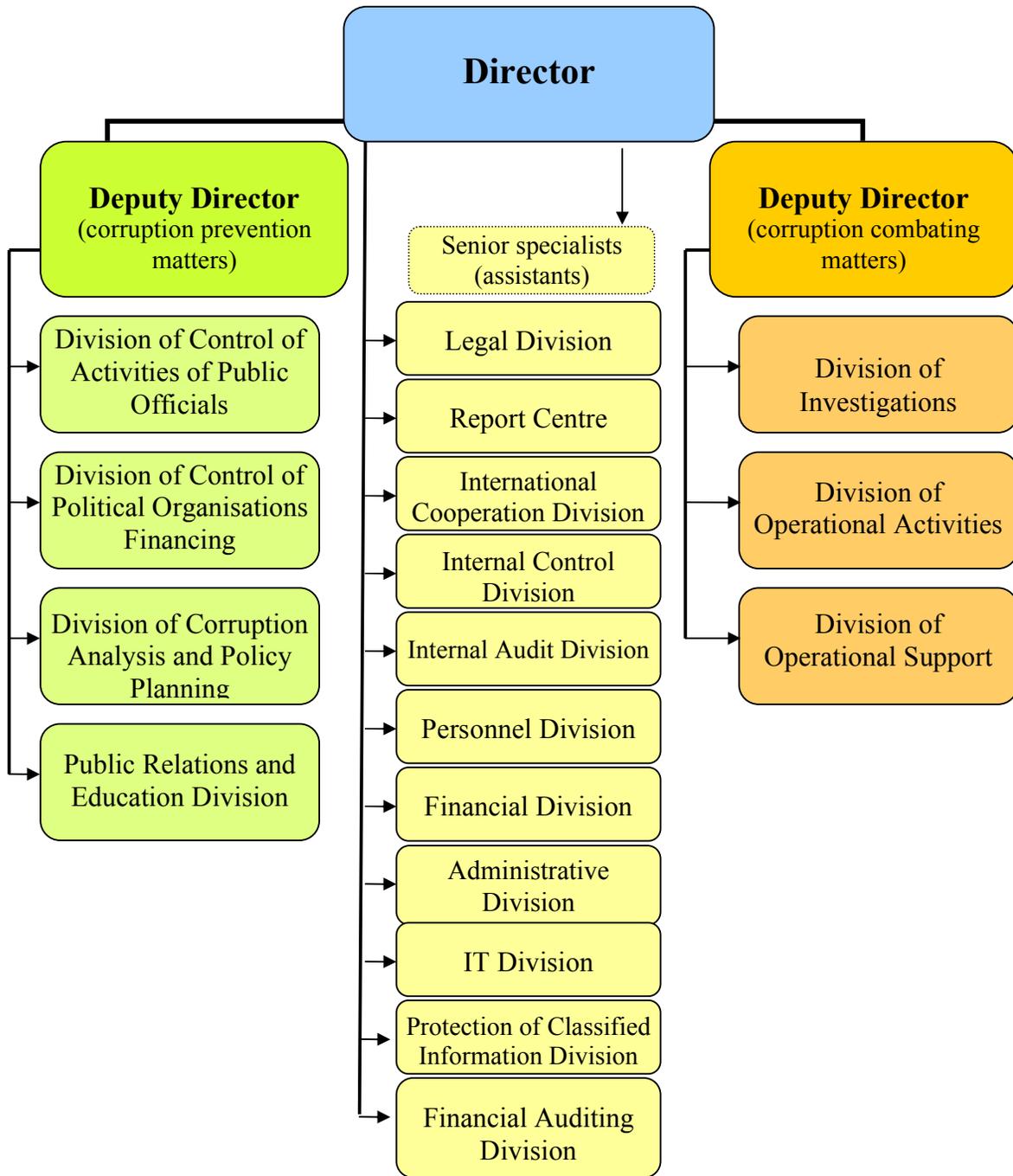
The Bureau shall carry out investigation and criminal intelligence in order to detect criminal offences in public service, as well as violations in financing of political organisations, as determined in the Criminal Law.

Structure of the Bureau

Work of the Bureau is managed by its Director who is appointed to this position for the term of five years and dismissed from the duties by the parliament (Saeima) based on the recommendation of the Cabinet of Ministers. The Director of the Bureau is responsible for fulfilment of functions of the Bureau, decides on competence in dealing with cases and making decisions, determines duties, rights and tasks of officials and employees, as well as approves internal acts regulating the Bureau's activity and submits to the Cabinet of Ministers a draft request for the budget. The Director of the Bureau has two deputies: Deputy Director for Corruption Combating Matters (Investigations) and Deputy Director for Corruption Prevention Matters.

From 1 January 2007, the Financial Auditing Division was formed in the Bureau, and – in accordance with the Cabinet of Ministers Instruction No. 390 “On the National Programme for Prevention, Combating and Diminishing of Organised Crime 2006-2010” of 31 May 2006 – an criminal intelligence analysis group was formed within the Operational Division. The Corruption Analysis and Counteraction Methodology Development Division was renamed into the Division of Corruption Analyses and Policy Planning. Structure of the Bureau is shown on Chart 1.

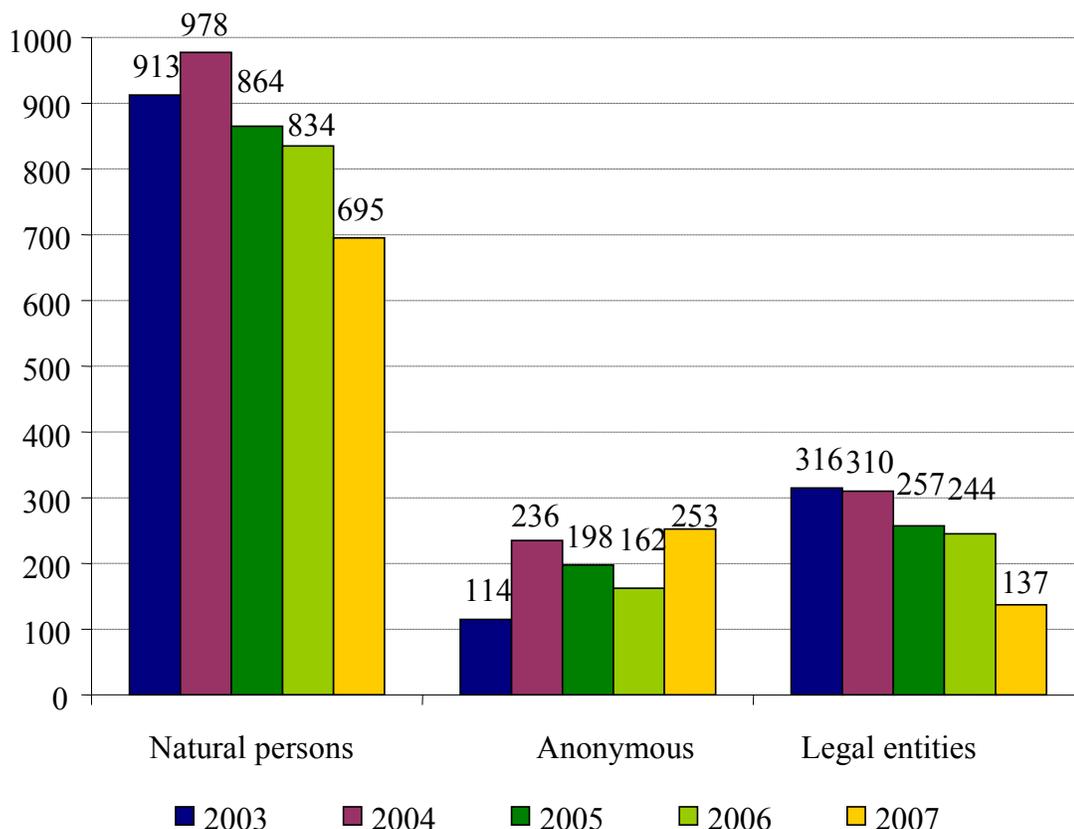
Chart 1. Structure of the Bureau



Results of the Bureau

In 2007, in total **1,085** reports have been received on possible corruptive actions of public officials, of which **695** were reports from natural persons, **137** – from legal entities and **253** anonymous reports (see Chart 2).

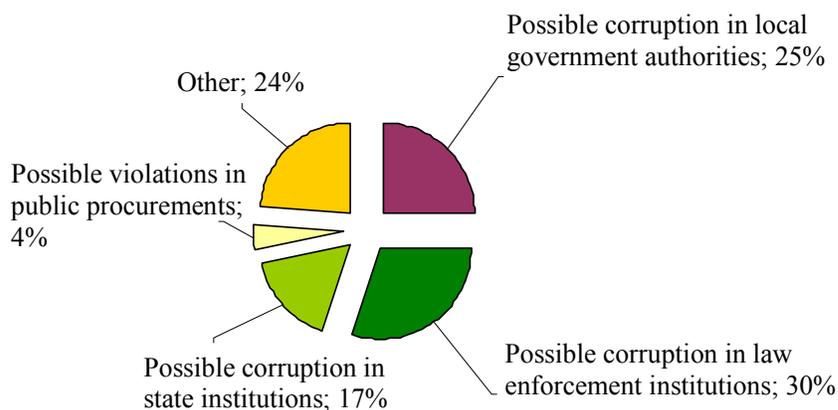
Chart 2. Reports received by the Bureau, 2003 - 2007



In 2007, the Report Centre was visited by **167** persons and **658** times information was received by hotline (**8002070**).

Out of the received reports and complains, in 54% of the cases answers were prepared to the submitters and their information were forwarded according to competence to other institutions. The information mostly contained references to possible corruptive violations in law enforcement institutions. In 25% cases, information has been received about possible violations by officials in local government authorities, for instance, issue of unlawful building permits, violations related to privatization and property rights, lease out of local government properties, inefficient use of local government funds, or situations of conflict of interest of public officials. The Bureau also received reports on actions of officials working in medical and educational establishments, as well as violations related to procurements, tenders and auctions (see Chart 3).

Chart 3. Structure of reports received by the Bureau according to their content in 2007



The Bureau has received and registered **9,701** documents, which is by 19% or 2,287 documents less than in the previous year. The Bureau has sent **12,247** documents to authorities of the state and local governments, natural persons and legal entities.

The Bureau has issued **80** opinions on draft legislation. **152** answers have been prepared to applications and various requests for explanations of legal norms.

In 2007, the Legal Division of the Bureau has reviewed **35** complaints about decisions made by officials of the Bureau and has prepared draft decisions of the Director of the Bureau, 59 explanations to court. The Bureau has been represented in **80** court hearings.

Results in Corruption Prevention

Prevention of Conflict of Interest in Activities of Public Officials

Control over activities of public officials and prevention of their conflict of interest is one of the main fields of the Bureau's work aimed at ensuring that state administration institutions act in the interest of the society and at preventing the influence of personal interest upon activity of public officials and decision-making process.

Summary of Results

In 2007, the Division of Control of Activities of Public Officials has received for review **547** reports and complaints on possible violations of the provisions of Law “On Prevention of Conflict of Interest in Activities of Public Officials” and additional restrictions provided for in other regulations for officials, and has made examinations regarding the facts of such reports, which is by 132 examinations less than in 2006. Due to increasing legal awareness about violations committed by public officials, however without sufficient legal protection mechanisms for reporters, people choose to report anonymously. On the basis of anonymous reports, the Bureau has performed examinations in **71** cases (for comparison, 62 anonymous reports were received for review in 2006). Totally in 2007, examinations have been made on facts stated in **691** reports and complaints, and **147** examinations have been made in various state and local government authorities.

By reviewing information and complaints submitted by inhabitants on possible activities of public officials in situation of conflict of interest, simultaneously also declarations of such public officials have been examined according to the competence of the Bureau. During the said examinations, **738** officials have been examined, by totally verifying information given in declarations of **1,930** public officials. Totally in 2007, no **1,837** declarations of public officials have been requested from the State Revenue Service (hereinafter – the SRS), including by the use of the SRS-managed the SRS database of declarations of public officials.

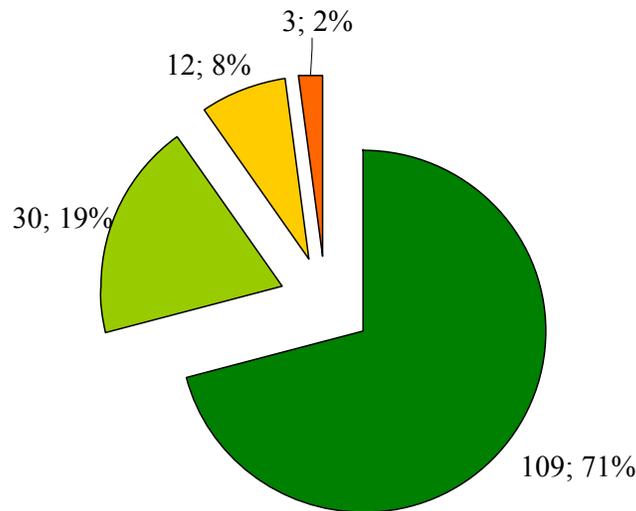
In general and compared to 2005, the number of complaints and information received is decreasing; the number of persons hold administratively liable remains on the previous level.

In 2007, administrative proceedings have been initiated in **131** cases for administrative violation of incompliance with the restrictions determined for public officials under Law “On Prevention of Conflict of Interest in Activities of Public Officials”. **91** public officials have been called to administrative liability by applying fines in the amount of **7,756** lats, and verbal reprimand has been given to **22** public officials in accordance with Section 21 of the Administrative Violations Code of Latvia, by admitting a committed administrative violation as of small significance.

In total in 2007, the Bureau’s Division of Control of Activities of Public Officials has detected **154** administrative violations. 71% or 109 cases of those (66% in the previous year), administrative violation was related to violation of the restrictions and prohibitions determined for public officials. The second most common type of administrative violation is failure to report a conflict of interest by public officials (see Chart 4).

More detailed report on decisions made in 2007 on cases of administrative violations is available on the homepage of the Bureau, section *Prevention* <http://www.knab.gov.lv/lv/prevention/conflict/offences/>.

Chart 4. Structure of administrative violations in 2007, by Sections of the Administrative Violations Code of Latvia (AVCL)



- Violation of restrictions and prohibitions to a public official (Section 166.30 of the AVCL)
- Failure to report a conflict of interest situation (Section 166.29 of the AVCL)
- Failure to observe the procedure for restrictions on additional employment (Section 166.28)
- Failure to perform duties of heads of state and local government authority's (Section 166.33)

Compliance with Restrictions Established for Public Officials

In most of the cases, public officials have violated the provisions of Paragraph one of Section 11 of Law “On Prevention of Conflict of Interest in Activities of Public Officials”, which specifies that public officials are prohibited, in the performance of the duties of the public official, to prepare or issue administrative acts, perform the supervision, control, inquiry or punitive functions, enter into contracts or perform other activities in which such public officials, their relatives or counterparties are personally or financially interested.

During respective examinations, it was established that public officials have violated law when they had accepted their relatives for employment or had made such decisions or have performed other activities related to fulfilment of their duties, which their relatives had been personally or financially interested in. These persons also did not fulfil a duty established by law: to inform the superior public official or the collective institution about execution of public duties in a conflict of interest situation, with the request to delegate to other persons the decision-making regarding their relatives.

In 2007, by examining the compliance of activities of the members of the 8th and the 9th Saeima with the provisions of Law "On Prevention of Conflict of Interest in Activities of Public Officials", 8 members of the Saeima were let for application of administrative penalties and six members of the 8th Saeima were called to administrative liability. Conflict of interest situation was established regarding all of them, by suggesting employment of their relative as an assistant to a member of the Saeima, as well as by controlling and supervising fulfilment of duties of an assistant to such a member, thus facilitating distrust of the society to activities of public officials because fulfilment of duties with regard to their relatives happened under the influence of personal (a relative of a member to the Saeima is employed) and financial (an assistant to a member of the Saeima receives salary) interest.

Several cases of administrative violation against the current or former members to the Saeima continue also in 2008.

In accordance with Clause 2, Paragraph one of Section 275 of the Administrative Violations Code of Latvia, proceedings for administrative violations have been terminated in **8** cases.

Civil Liability of Public Officials

In accordance with Section 30 of Law "On Prevention of Conflict of Interest in Activities of Public Officials", also civil liability is provided for violations of provisions of the Law. It means that income or financial benefits gained through violation of restrictions of the Law or proportional growth of income or financial benefits shall belong to the State, presuming that when violating restrictions established by the State and unlawfully obtaining income, a public official has done such harm to the public administration that is proportional to the value of illegally gained income, financial benefits and increase in real estate or movable property.

In 2007, **26** (there were by 60 more in the previous year because the legal regulation was amended, which became more favourable to public officials) public officials were asked to compensate voluntarily to the State damage caused in the amount of **LVL 68,329.76**. In the reporting period, **21** public officials have compensated the State for damages caused in the amount of **LVL 10,416.19**.

On 7 June 2007, amendments to Section 30 entered into force providing that the above-mentioned regulation regarding compensation of damage caused to the State shall not be applicable in cases, if additional employment is permitted by receiving a written permit of a higher official (institution), however a public official has not applied for a written permit and such additional employment has not caused conflict of interest. In other cases, public officials shall be fully or partially released from returning of their income or financial benefits which have been gained by violating the restrictions in the Law, if the

duty to compensate such income and financial benefits is not commensurate to the damage caused to the state administration procedure as a result of such an administrative violations.

Paragraph three of Section 30 of Law “On Prevention of Conflict of Interest in Activities of Public Officials” provides that if a public official does not voluntarily compensate the State for damages caused, the Bureau can ask to compensate the State for damages caused in accordance with procedure specified in the Civil Procedure Law.

In 2007, within the framework of the Administrative Procedure Law, the Bureau has prepared, on the basis of a notification of the Director of the Bureau regarding voluntary compensation of damage caused to the State, and has submitted to court 4 applications on compensation of damage caused to the State, from which 2 decisions have entered into force.

Providing False Information in Declarations

For providing false data in declarations of public officials in 40 cases, the information has been sent to the SRS in order the latter, within its competence, would call such public officials to administrative or criminal liability.

When checking incomes of public officials vs. their expenses, it has been established that in 24 cases the income of public officials and their relatives possibly did not correspond to their expenses, therefore the materials gathered during the inquiry on 24 persons were sent to the SRS in order to check the lawfulness of income of these persons. In the reporting period, the SRS at the Bureau’s proposal has started personal income tax audits for 20 persons and, based on the findings of the accomplished audit, has imposed additional tax and fines on 13 persons for a total amount of LVL 197,296.41. The SRS has refused to initiate a personal income tax audit for 9 persons.

Forwarding of Information to Other Institutions

In the reporting period, the Bureau has sent inspection materials to the SRS on 17 state or local government authorities, in order the SRS within its competence would check whether non-inclusion of public officials working in these authorities into the lists of public officials is in compliance with requirements of Law “On Prevention of Conflict of Interest in Activities of Public Officials” and ensure that all public officials submit the declarations of public officials. Upon the Bureau’s request, the SRS has included 24 public officials into the lists of public officials.

When violations of legal acts were established in actions of public officials, the assessment of which was beyond the Bureau’s competence, in 148 cases the information was sent to competent institutions (State Audit Office, General Prosecutor’s Office, SRS, State Labour Inspectorate, Ministry of Regional Development and Local Governments Matters, Finance and Capital

Market Commission, Security Police, and other governmental institutions) in order they would carry out verification and deliver their opinion.

When verifying the compliance of activity of public officials with the provisions of Law “On Prevention of Conflict of Interest in Activities of Public Officials”, in **46** cases elements of a possible criminal offence were detected in activity of public officials and materials of these inquiries were forwarded to the corruption combating branch of the Bureau for assessment and further action.

Appeal of Decisions

28 of the administratively punished public officials have contested the decisions on calling them to administrative responsibility made by the Division of Control of Activities of Public Officials before the Director of the Bureau:

- 19 decisions were left without any amendments and the complaint was rejected;
- 5 decisions were amended partially;
- 3 decisions were cancelled and the case terminated;
- 1 decision was cancelled and forwarded for repeated reviewing.

In 2007, representatives of the Bureau participated in **26** court sessions where claim statements submitted by public officials on decisions of the Director of the Bureau in cases of administrative violations were reviewed:

- 21 court sessions were held in the Administrative Region Court;
- 3 court sessions were held in the Administrative District Court;
- 2 court sessions were held in the Supreme Court.

Implementation of the National Strategy and Programme for Corruption Prevention and Combating

The Bureau regularly monitors the implementation of the tasks under the National Corruption Prevention and Combating Programme for 2004 - 2008 (hereinafter – the National Programme) by other institutions and implements also many tasks itself.

In December 2007, the Bureau drafted **informative report “Implementation of the National Corruption Prevention and Combating Programme for 2004 - 2008”**, which summarises information about the implementation of the tasks under the National Corruption Prevention and Combating Programme for 2004 - 2008 in state administration authorities in the period from 1 November 2006 till 31 October 2007.

The informative report summarises information on the results and progress in fulfilment of the 71 tasks of the National Programme. Out of the tasks mentioned in the informative report with a defined deadline, **9** tasks have been fulfilled, 11 tasks have been fulfilled partially, 5 tasks have not been fulfilled or fulfilment thereof has been started but not finished due to time or

funds restrictions. In general, it has been concluded that 77% of the tasks in the National Programme have been fulfilled.

During the reporting period, results of assessment of internal anti-corruption system of institutions were summarised. Questionnaire, which was developed by the Bureau, included 22 questions about existence and operation of various internal control elements in institutions and the questionnaire was sent to all state institutions, as well as subordinated and local government institutions. Survey results presented that plans of anti-corruption measures have been elaborated in 90% of state institutions; more than 80% of the institutions have a code of conduct for its employees, and in 64% of the institutions training of employees has been related also to matters of anti-corruption.

By implementing the task of Clause 18 of Section 2 “Prevention and Combating of Inexpedient, Inefficient and Illegal Use of the State and Local Government Property” of the National Programme: assessment of possibilities to perform financial audits in state and local government authorities, the Bureau has prepared and has submitted **informative report “On Ensuring of Performance of Financial Audits in State and Local Government Authorities”**, for announcement to the Meeting of State Secretaries on 30 August 2007.

Cabinet of Ministers Regulation No. 67 “Regulation on Performance of Audit upon Request of Prosecutor” defines the procedure in accordance with which audit of economic and financial activities shall be made upon a request of a prosecutor and in accordance with which audit materials shall be drafted. In accordance with Clause 4 of the said Regulation, audit may be performed by a sworn auditor, audit company, the Audit Division of the Expertise Centre under the State Police, or an internal audit unit of a ministry or another central state institution, which – according to legal acts within its competence – is entitled to perform audit and which has been appointed by a prosecutor for performing such audit.

However, in several cases, audit is required already before initiation of criminal procedure, especially if a criminal offence is related to action of public officials in public service. The Bureau often sees cases when, during inspection of activity of a public official within the framework of administrative violation proceedings, an opinion of an auditor is required about damage caused to the State or local government authority, in order to make decision on starting criminal procedure.

The currently established internal audit system in state and local government authorities does not ensure performance of financial audits, by including assessment of usefulness regarding activities of public officials with public funds and fraud prevention cases, when there is suspicion within the framework of some specific administrative or criminal case about illegal or inefficient use of state and local government funds and audit is required. Objective of internal audit is not performing audit upon a request of an external institution.

In specific cases, also a head of an institution him or herself can come to a need to inspect, in order to ensure lawful and efficient use of the property of state and local government, the lawfulness and efficiency of the use of the property of state and local government in accordance with law “On Prevention of Devastation of Funds and Property of State and Local Governments”, possibly, even calculate damage caused to an institution. It is often in practice, if there is suspicion about illegal or inefficient use of state funds in an institution or its subordinated institutions, the government concludes an agreement with third parties: sworn auditors, audit companies regarding purchase of services of audit/financial audit, which is expensive and not all institutions can afford it.

In accordance with Prime Minister Order No. 262 “On a Working Party for **Assessment of Conditions for Financing of Political Parties**” of 23 May 2007, an inter-institutional working party has evaluated the opportunities to finance political parties from the state budget and is drafting a policy planning document, the deadline for which has been prolonged till May 2008.

Co-ordination of Draft Laws “**Amendments to the Criminal Law**” and “**Amendments to the Administrative Violations Code of Latvia**” with other institutions continues, for reviewing of the same by the Cabinet of Ministers. The said Draft Laws stipulate additions to the Criminal Law and the Administrative Violations Code of Latvia with norms that would define liability of donors (grantors) to political organisations (parties) regarding failure to observe an amount or the restrictions to financing of political parties, or regarding indirect giving of gifts (donations) to a political party, as well as liability for such repeated violations.

Legal drafting

During the reporting period, Draft laws “**Amendment to the Administrative Violations Code of Latvia**” and “**Amendments to the Criminal Law**” in the field of financing of political parties have been agreed in the co-ordination meeting and submitted for review to the Cabinet of Ministers. The purpose of the Amendments is to differentiate and improve the liability for violations in financing of political parties by determining criminal liability for illegal financing of political parties or their associations, expressed by exceeding the permitted amount of financing, indirect transfer of a gift (donation) or granting (donating) of funds without a bank transfer to a bank account of a respective political party if of a large amount, receipt of such gifts (donations) and requesting illegal financing of a political party or association thereof in large amounts. Also, provisions are stipulated that a person who has committed illegal financing of a political party or its association shall be released from criminal liability, if the person has reported about the accident voluntarily after such illegal financing of a political party or its association. The above-mentioned amendments are required because currently there is no differentiated liability for

violations of the Law on Financing of Political Organisations (Parties), since administrative liability is stipulated for failure to observe the legal norms regardless an amount of a gift (donation), but the Criminal Law provides liability only for financing of political parties through mediation, and no other criminal liability is envisaged for other types of violation in the field of financing of political parties.

Amendments to Section 166.³⁴ of the Administrative Violations Code of Latvia envisage addition of two new paragraphs stipulating liability of donors (grantors) to political parties for failure to comply with the restrictions of an amount for or political parties financing, or for indirect delivery of gifts (donations) to a political party, as well as for repeated violations of such kind. Thus, liability will be stipulated to persons who make non-permitted gifts (donations) to political parties and the contradiction will be eliminated with the valid provisions of the Law on Financing of Political Organisations (Parties) that provide also restrictions for a donor (grantor).

On 21 June 2007, the Meeting of the State Secretaries announced Draft Law "**Amendments to the Law on Corruption Prevention and Combating Bureau**". This Draft Law has been developed for attaining the compliance of the provisions of the Law on Corruption Prevention and Combating Bureau with the current situation and preventing any collisions of the legal norms of the said Law with other laws.

On 18 January 2007, the Meeting of the State Secretaries announced Cabinet of Ministers Draft Regulation "**Procedure for Granting, Use and Monitoring of Appropriation Envisaged in Budget Programme 02.00.00 "Provision of Investigation Activities" of the Corruption Prevention and Combating Bureau**". This Draft Regulation provides that the appropriation in the amount of 100,000 lats, which is envisaged for the implementation of 2007 budget programme 02.00.00 "Provision of Investigation Activities" of the Corruption Prevention and Combating Bureau shall be used for provision of investigation activities in order to detect corruptive criminal offences. The Draft Regulation was adopted by the Meeting of the Cabinet of Ministers on 3 April 2007 and the Regulation entered into force on 13 April. However, the Meeting of the State Secretaries of 13 December 2007 announced such a Draft Regulation of the Cabinet of Ministers about provision of financing within the framework of the budget programme for 2008.

On 29 March 2007, the Meeting of the State Secretaries announced a draft conception "**Need for legal regulation of lobbying in Latvia**" prepared by a working party. The aim of the concept is to study experience of foreign countries, assess the need for legal regulation of lobbying in Latvia in order to allow ensuring of openness in the public decision making in the interests of particular individuals or groups of individuals. The draft concept was presented in various forums and seminars, as well as was submitted for public debate.

On 5 July 2007, the Meeting of the State Secretaries announced **Draft Law “On Disciplinary Responsibility of Officials and Employees of the Corruption Prevention and Combating Bureau”**.

The said Draft Law provides the basis for disciplinary responsibility of officials and employees of the Bureau, types of disciplinary violations and applicable disciplinary penalties, as well as the procedure for reviewing matters related to calling employees to disciplinary responsibility and appealing of decisions.

On 6 December 2007, the Meeting of the State Secretaries announced **Draft Law “Amendments to Law “On Prevention of Conflict of Interest in Activities of Public Officials”**”.

The Draft Law envisages additions to the Law with new legal provisions stating that a public official shall be under obligation to provide information immediately about any conflicts of interest or corruptive offences that he or she has become aware of and where other officials or employees of the relevant institution are involved, and stipulating protection of such public officials; the Draft Law provides the procedure in accordance with which a public official shall inform about conflicts of interest. At the same time, new responsibilities and prohibitions are envisaged for heads of state and local government authorities related to legal protection of public officials who inform about conflicts of interest or other corruptive offences that they have become aware of and where other public officials or employees are involved.

On 2 August 2007, the Meeting of the State Secretaries announced **Cabinet of Ministers Draft Regulation “Procedure for Registration, Evaluation, Utilisation and Redemption of Gifts Accepted in the Fulfilment of Duties of Public Official and which are Property of State or Local Government Authorities”**, which has been issued in accordance with Paragraph two of Section 13.³ of Law “On Prevention of Conflict of Interest in Activities of Public Officials”.

This Draft Regulation envisages several possibilities for utilisation of gifts that have been accepted in fulfilment of duties of public officials. Accepted gifts may be used for the needs of the state or local government authority where the receiver of the gift is serving his or her duties, or delivered for the needs of another authority without any remuneration. In case, if a gift accepted by an official is established as an art or heritage value, it shall be delivered to a museum for supplementing its stocks and forming exposition.

On 24 October 2007, **an informative report on the functions implemented by the Bureau and the SRS in relation to declarations of public officials** was submitted to the Cabinet of Ministers. Sections 27 and 28 of Law “On Prevention of Conflict of Interest in Activities of Public Officials” do

not clearly define the competences of the Bureau and the SRS regarding examination of declarations submitted by public officials.

In accordance with Paragraph one of Section 28 of Law “On Prevention of Conflict of Interest in Activities of Public Officials” (the wording after the amendments of 8 May 2003) and according to the competence for submission of declarations of public officials as provided for in Paragraphs two, three and four of Section 23 of the Law, the SRS shall be under obligation to examine in the cases provided for in the Law, whether a declaration:

- 1) Has been submitted and completed in accordance with the defined procedure;
- 2) Has been submitted within the defined term.

But, in accordance with Paragraph two of Section 28 of Law “On Prevention of Conflict of Interest in Activities of Public Officials”, the Bureau shall be under obligation, in cases provided for in Paragraph two of Section 23 of the Law, to examine whether a declaration contains data that evidence violation of the restrictions determined in the said Law. Thus, the SRS shall examine whether a declaration of a public official has been submitted within a defined term and whether it has been submitted and completed in accordance with the defined procedure. And the Bureau, in its turn and by monitoring enforcement of Law “On Conflict of Interest in Activities of Public Officials”, according to Section 28 of the said Law, shall examine whether the **declaration gives information that evidences violation of the restrictions determined in the Law.**

In order to specify the division of competence between the Bureau and the SRS during examination declarations submitted by public officials, the Bureau submitted a proposal on making amendments to Paragraph one of Section 28 of Law “On Prevention of Conflict of Interest in Activities of Public Officials”.

On 19 November 2007, **an informative report “On Improving of Legal Regulation of Activities in Latvia of Enterprises Registered in Offshore Areas, Low-Tax and Tax-Free Countries”** was submitted to the Cabinet of Ministers for review.

The purpose of the informative report is to identify the main issues and to justify the need for improving of legal regulation for monitoring activities in Latvia of enterprises registered in offshore areas, low-tax and tax-free countries or territories.

The informative report suggests a definition of term “offshore” in legal acts of Latvia according to international practice and revision of the principles and criteria to be included therein, according to which business companies would be admitted as registered in low-tax or tax-free countries or territories, as well as the improvement of liability for violations committed by representatives of such companies provided for in legal acts.

The said informative report has been prepared in co-operation with the Service against Legalization of Funds Obtained through Crime, under the Prosecutor General Office, and other institutions.

On 27 September 2007, the Meeting of the State Secretaries reviewed **informative report “On Movable Property of the State for Alienation”** regarding expropriation of the Bureau’s owned cargo trailer *Ford Transit* and delivery of the same for the needs of the state and local government authorities without any remuneration, in accordance with the Law on Alienation of Property of the State and Local Governments.

In the reporting period, co-ordination of Draft Law **“On Lease of Property of the State and Local Governments”** with other institutions continued, but the decision was made to discontinue advancing of Draft Law **“Law on Prevention of Conflict of Interests”** since agreement with several institutions was not reached at the co-ordination meeting.

Information and Education of the Society

Provision of Information to Mass Media

During the reporting period, **65** press releases have been sent, **2** press conferences, **5** public discussions, an international conference and other educational events have been organised. Representatives of the Bureau give regular interviews and comments to mass media and news agencies, as well as participate in radio and television broadcasts.

Public Discussions, Seminars, Conferences Organized by the Bureau and Other Events with Participation of Representatives of the Bureau

- On 16 January 2007, a visiting session of the Saeima Commission for Defence, Interior and Corruption Prevention took place in the Bureau where the members of the commission were introduced to the **fulfilment of the tasks of the National Corruption Prevention and Combating Programme**, issues in fulfilment thereof, and information was provide about the tasks to be performed during 2007, particularly in legislation;
- On 9 February, public discussion was held **about the procedure for leasing out of property of the state and local governments** where the need for the draft law developed by the Bureau was also discussed. Participants of the discussion: Director of the Bureau Aleksejs Loskutovs, Deputy Director of the Bureau Alvis Vilks, Director of the State Audit Office Inguna Sudraba, Chairman of the Saeima State Administration and Local Government Commission Māris Krastiņš, representatives of the Ministry of Justice and the Ministry of Regional Development and Local Governments Matters, Chairman of the Association of Local Governments of Latvia Andris Jaunsleinis, and representatives of local government authorities, as well as Head of the Public Advisory Council

of the Bureau Valts Kalniņš and representatives of non-governmental organisations.

- On 12 February, the Bureau organised a press conference for starting a social advertising campaign where video-clip “Korupcija ir varas prostitūcija” (“Corruption is Prostitution of the Power”), which has been made by advertising agency McCann-Erickson Riga, SIA, was presented to journalists.
- On 21 March, representatives of the Bureau participated in the Memorandum Council meeting of the State Chancellery, on 28 May – in a forum of the Saeima and non-governmental organisations, and on 28 June – in the meeting of the Government Communication Co-ordination Council of the State Chancellery, and the concept of **the need for legal regulation of lobbying in Latvia** was presented in all the above-stated events;
- On 28 March, **the final discussion of the social advertising campaign** was held with participation of representatives from various areas, in order to evaluate the first social advertising campaign which has been implemented by the Bureau and to listen to suggestions for future work;
- On 30 March, within the framework of the Lawyers’ Days, Leader of Inter-Institutional Working Party Diāna Kurpniece and Deputy Director Alvis Vilks participated in round-table discussion **“Lobbyism: a type of corruption or natural part of legislation in a judicial state?”**.



Photo: AFI

- On 17 April, the Bureau in co-operation with Centre for Public Policy Providus held a public discussion **“Integrated approach in financing of political parties and monitoring thereof”**, during which all the involved parties were invited to discuss the standards of financing of political parties and monitoring thereof, in order to ensure transparency, lawfulness of financial activities of political parties, as well as compliance thereof with the system of parliamentary democracy. The discussion was moderated by journalist Jānis Domburs and other participants were

Ombudsman Romāns Apsītis and Saeima State administration and Chairman of the Saeima State Administration and Local Government Commission Māris Krastiņš, as well as leaders of political parties and mass media, representatives of the advertising industry and non-governmental organisations representatives, political experts and journalists.

Special guest of the discussion was Marcin Walecki, Expert of international organisation IFES (International Foundation for Election Systems) in matters of financing of political parties, he holds a doctorate in philosophy and the Master's degree in law.

- On 23 May, the Bureau held discussion **“Corruption risks in investment of funds of the state and local governments in capital companies”**, to which experts were invited from the Ministry of Finance, the State Audit Office, the Ministry of Economics, the Ministry of Regional Development and Local Governments Matters, the Association of Local Governments of Latvia, the Privatization Agency and Riga City Council. The goal of the discussion was giving of consideration to issues found and solutions proposed by the Bureau, as well as to hear the experts' opinions about investing of funds of the state and local governments in capital companies, efficient utilisation, control and prevention of corruption risks.
- On 9 and 10 October 2007, international conference **"Corruption Prevention and Combating: Trends and Future Challenges"** was organised on the 5th Anniversary of the Bureau.
- On 24 October 2007, representatives of mass media were introduced in a press conference with the results of examination of declarations submitted by political parties after the 9th Saeima elections.
- On 13 December 2007, public discussion was held about restrictions to public officials for accepting gifts **“Tavam NĒ ir nozīme!”** (**“Your NO has a meaning!”**) and it was also devoted to the international anti-corruption day.

Educational Events Implemented by the Bureau

In 2007, representatives of the Bureau have participated in **49** meetings, informative seminars in state and local government authorities by explaining the provisions of Law “On Prevention of Conflict of Interest in Activities of Public Officials”, by recommending the authorities to strengthen their internal anti-corruption measures and to strengthen the professional ethics of public officials, by including totally an audience of **2,975** persons.

In the beginning of 2007, an agreement was made with higher education establishments of Latvia about giving individual lectures during educational year 2007/2008 about the following topics: “Negative consequences of corruption”, “Provisions of Law “On Prevention of Conflict of Interest in Activities of Public Officials” and application practice, important matters in

prevention of conflict of interest”, “Ethics of the state administration, its importance in diminishing of corruption”, etc. During the reporting period, representatives of the Bureau have read already six educational lectures.

In January 2007, the Bureau started a cycle of educational seminars for representatives of state and local government authorities on professional ethics of public officials and corruption prevention. Seminars, which were held on the third Wednesday each month, were organised for the purpose of demonstration of methods handbook prepared by the Bureau “Compilation of Materials on Ethics of the State Administration”, envisaged for training about matters related to professional ethics of public officials, conflict of interests and corruption prevention, and training of the participants of the seminar on using the said compilation in educating the staff of an authority; the compilation consists of 3 CD’s which include 3 video situations. In 2007, 5 such seminars were held for representatives of the Saeima, ministries, ministry subordinated authorities and local governments.

Table 1. Educational events implemented by the Bureau in 2007

No.	Date of seminar	Venue	Institution or group of officials, topic
1.	4 January	Riga	<i>Junior Achievement</i> , teachers of social sciences
2.	24 January	Riga, Alberta 13	Compilation of Materials on Professional Ethics Ministries
3.	30 January	Gulbene, State Revenue Service	Prevention of conflict of interests and professional ethics of public officials professional ethics
4.	6 February	Riga, Republikas lauk. 2.	Sanitary Border Inspection
5.	21 February	Riga, Alberta 13	Compilation of Materials on Professional Ethics Ministry subordination authorities
6.	14 March	Riga, Naturalization Board	Leading officials of the Naturalization Board
7.	21 March	Riga, State Chancellery	Memorandum Council Legal regulation of lobbying in Latvia
8.	22 March	Riga, State Administration School	Compilation of Materials on Professional Ethics Ministry subordination authorities
9.	30 March	Riga, College of Law	Lawyers’ Days Legal regulation of lobbying in Latvia
10.	11 April	Secretariat of the Special Assignments Minister for Social Integration	Prevention of conflict of interests and public officials professional ethics
11.	12 April	Riga, Ministry of Economics	Advisory Board for Small and Medium Entrepreneurs Legal regulation of lobbying in Latvia
12.	17 April	Riga, Road Transport Inspectorate	Strengthening of ethical conduct in activities of public officials
13.	18 April	Stockholm School of Economics in Riga	Centre for Academic Integrity, discussion about matters of ethics in the academic environment
14.	25 April	Riga, Local Government Training Centre	Compilation of Materials on Professional Ethics Local governments
15.	10 May	Liepaja, State Revenue Service	Prevention of conflict of interests and public officials professional ethics

No.	Date of seminar	Venue	Institution or group of officials, topic
16.	22 May	Riga, State Border Guard	Prevention of conflict of interests and public officials professional ethics
17.	24 May	Saldus District Council	Prevention of conflict of interests and public officials professional ethics
18.	25 May	Riga, Local Government Training Centre	Compilation of Materials on Professional Ethics Local governments
19.	28 May	Saeima, Non-governmental organisations forums	Protection and lobbying of interests of the society
20.	29 May	Riga, State Border Guard	Professional Ethics of Public Officials and Compilation of Materials on Professional Ethics
21.	30 May	Riga, Agency "Trīs brāļi"	Prevention of conflict of interests and public officials professional ethics
22.	6 June	Riga, Investment and Development Agency of Latvia	Prevention of conflict of interests and public officials professional ethics
23.	28 June	Riga, State Chancellery	Concept of lobbying, role of communication of the state administration and liability of a communication expert in adjustment of lobbying processes in Latvia
24.	15 August	Riga Region NGO Resource Centre	Legal regulation of lobbying in Latvia; possible solutions.
25.	21 August	Ministry of Defence	1. Prevention of conflict of interests, compliance with the restrictions provided by law (Corruption Prevention and Combating Bureau) 2. Procedure for completing of declarations of public officials, most common mistakes (SRS) 3. Professional ethics of public officials (Corruption Prevention and Combating Bureau)
26.	4 September	Police Academy	Prevention of conflict of interests, compliance with the restrictions provided by law
27.	21 September	Rural Support Service, Ozolnieki	Prevention of conflict of interests in activities of public officials; requirements of law and most common violations Ethics of the state administration, incl. analysis of video situations
28.	25 September	Saeima Security Service	Prevention of conflict of interests, compliance with the restrictions provided by law
29.	10 October	University of Latvia	Within the framework of "Sociology of Law", lecture "Corruption as a social phenomenon..." for Master's programme students of the day department
30.	11 October	University of Latvia	Lecture "Corruption as a social phenomenon..." for Master's programme students of the evening department
31.	15 October	Ministry of Education and Science, Council of Science	Prevention of conflict of interests
32.	17 October	Riga City Council	On Prevention of Conflict of Interest in Activities of Public Officials Ethics of the state administration
33.	19 October	Ministry of Education and Science	Improvement of professional skills of directors of schools: corruption prevention, Ethics of the state administration and prevention of conflict of interests
34.	22 October	University of Latvia	On Prevention of Conflict of Interest in Activities of

No.	Date of seminar	Venue	Institution or group of officials, topic
			Public Officials
35.	25 October	Ventspils University College	Identification and prevention of corruption Students, officials of Ventspils University College
36.	26 October	Report Meeting of the State Police	Prevention of conflict of interests: most common problems in the work of the State Police
37.	6 November	Embassy of Canada in Latvia	Presentation: Public ethics in the state administration in Latvia
38.	15 November	Riga, Lithuanian Secondary School	Seminar for school directors Current issues in educational establishments
39.	21.novembrī	Ministry of Education and Science	For heads of education boards: Prevention of conflict of interests
40.	26.novembrī	Rezekne Higher Education Institution	Scientific practical conference: Problems of ethics of the state administration in Latvia Criminal law aspects of corruption
41.	28 November	Jekabpils local government officials	On Prevention of Conflict of Interest in Activities of Public Officials Ethics of the state administration
42.	28 November	Vidzeme University College	Corruption as a social phenomenon and forms of its display Criminal aspects of corruption The 2nd and 3rd year students of Political Science
43.	30 November	Ministry of Finance Heads of Internal Audit Divisions Forum of Internal Auditors	About corruption risks, identification of the same and about further actions of auditors in such cases.
44.	6 December	Jurmala, the SRS Finance Police Board	Improvement of co-operation in combating of criminal offences in activities of officials and the practice of application of Law "On Prevention of Conflict of Interest in Activities of Public Officials", as well as opportunities for improvement
45.	7 December	Public Health Agency	Ethics of the state administration On Prevention of Conflict of Interest in Activities of Public Officials
46.	10 December	Cesis and Cesis District state and local government authorities	Ethics of the state administration On Prevention of Conflict of Interest in Activities of Public Officials
47.	11 December	Daugavpils District Council	Ethics of the state administration On Prevention of Conflict of Interest in Activities of Public Officials
48.	11 December	State Agency for Evaluation of General Education Quality	Problems of ethics in the state administration in Latvia, provisions of Law "On Prevention of Conflict of Interest in Activities of Public Officials"
49.	12 December	Ozolnieki, Rural Consultation and Education Centre	On Prevention of Conflict of Interest in Activities of Public Officials Ethics of the state administration and internal anti-corruption organisational measures in authorities
50.	14 December	Riga Elementary School No. 11 of A.Pumpurs	Public ethics and provisions of Law "On Prevention of Conflict of Interest in Activities of Public Officials" Directors of schools

In order to diversify the methods for informing of the society, the homepage of the Bureau provides an opportunity to ask questions to experts of the Bureau about corruption or prevention of conflict of interests; questions can be asked openly or anonymously. By increasing the educational activities of the Bureau, the number of questions submitted is also increasing considerably. In 2007, replies to **88** questions were published on the homepage, which is by 31 questions more than in the previous year without taking into account the questions, response to which has been given by taking into account a wish of an inquirer to receive a reply only to a specified e-mail address.

Informative and Educative Materials Prepared by the Bureau

On 12 February 2007, the Bureau held a press conference which was devoted to starting a social advertising campaign and where journalists were presented a video-clip developed by advertising agency McCann-Erickson Riga, SIA, with motto **“Korupcija ir varas prostitūcija” (“Corruption is Prostitution of the Power”)** and homepage www.pretkorupcija.lv. The aim of the campaign was to tell about the essence of corruption: buying and selling of the power for selfish reasons, in order to form the public opinion about corruption as amoral act.

Public opinion poll, which was organised in the end of the campaign, shows that advertisement “Corruption is Prostitution of the Power” was seen by 45% of the population on the television. 19% of them admitted that the advertisement reminded them once again about the urgency of the corruption problem, 11% found the advertisement interesting and in 41% cases the advertisement gave negative emotion.

Soon after the closure of the campaign on the television and in newspapers – in March 2007 – only 39% of the population admitted in a survey made by OMD that they would be ready to bribe in order to solve some important issue. Seven years ago, in 2000, 51% of the population mentioned that they would be ready to give a bribe officially if it helped to solve some important issue, in 2005 – still 48% would use bribery as a solution of their problems.

The campaign was started in February 2007. Within the framework of the campaign, an advertisement video-clip was shown on the Latvian Television and TV3 for two weeks, an announcement was placed in six newspapers, homepage www.pretkorupcija.lv was created and an advertisement banner was placed on portal delfi.lv. But in October, the advertisement video-clip was repeated for one week on the Latvian Television and TV3, as well as an audio-clip was played on the Latvian Radio and Radio SWH where, same as in printed media, a quote of Aivars Pastalnieks from an article in magazine *Republika.lv* was used: “One could agree that Latvia has become a sex super country only if another type of corruptibility is included in prostitution: corruption. Because how are those who sell their bodies worse than the ones who trade their influence and their official

state authorities? Why the who... of Pērnavas and Čaka streets are more miserable than, for instance, managements of city building boards, judges, parliament members or officials of Riga Road Police who declare liberation to aggressive drivers or drinkers at the wheel? Let's call things by their proper names: corruption is prostitution of the power!"

On 9 and 10 October 2007, an international conference and ceremonial event was held for the 5th Anniversary of the Bureau. To celebrate the 5th Anniversary of the Bureau, booklet "The First 5 years of the Corruption Prevention and Combating Bureau ("KNAB pirmie 5 gadi") was issued, which summarised the opinions of representatives, officials of various organisations, foreign experts both about the work of the Bureau during the five years and the situation corruption prevention and combating in the State in general.

On 13 December 2007, public discussion was held, due to the international anti-corruption day, about restrictions for public officials in accepting of gifts: "Your NO counts!" Booklet "Dāvanu pieņemšanas ierobežojumi" ("Restrictions in Acceptance of Gifts"), which has been prepared by the Bureau, was presented during the event, as well as a door note "Please do not disturb with gifts and bribes!" ("Ar dāvanām and kukuļiem lūdzu netraucēt!"). Representatives and officials of the Bureau, various invited state institutions, policy analytics and experts expressed their opinions during the discussion.

Work of the Public Consultative Council

In the reporting period, the Public Consultative Council of the Bureau held seven sessions.

On 11 January 2007, the 26th session of the Public Consultative Council was held where the Council reviewed the performance in 2006 and drafted a plan for the next year.

On 27 February 2007, the 27th session was held when the Council was introduced to the Draft Law on Lease of State and Local Government Property, as well as objections of the Association of Local Governments of Latvia regarding the same.

In the 28th session of the Public Consultative Council of 15 March 2007, amendments to the State Security Institutions Law were discussed, as well as possible impact of the same on the operation of the Bureau. During the session, members of the Council agreed about a common position in this matter and disseminated a public notification: "The consultative council of the KNAB wishes to refer to unacceptable practice in the legislation process and abuse of Section 81 of the Constitution (Satversme), as well as disregarding of the good management principle and the civic society in general which endangers the principles of democracy. Although the operation of security and investigation authorities is subject to strict law control, any changes in legal acts that pertain or might pertain the operation and independence of such authorities must be

made advisedly and by evaluating the need for and consequences of such amendments.”

On 19 April 2007, the 29th session of the Public Consultative Council was held about education of public officials in matters of corruption prevention. The Council was introduced to the activities performed by the Bureau in education of public officials about matters of corruption prevention.

On 14 June 2007, the 30th session of the Public Consultative Council was held about topic “Media and corruption”, during which discussions were held with representatives of invited media about the role of mass media in corruption prevention, detection of corruptive violations, as well as about the matter of independence of journalists and the mass media. Executive Director of the Association of Latvian Broadcasters Gunta Līdaka and journalist Juris Paiders participated in the session.

On 23 August 2007, in the 31st session of the Consultative Council, the Council familiarised itself with the informative report prepared by the Employers’ Confederation of Latvia (LDDK) on granting of privileges to legal entities – payers of real estate tax in local governments, as well as with the LDDK guidelines for granting of such privileges.



Photo: AFI

In order to promote development of entrepreneurship, one of the tools which can be used by local governments is the possibilities provided by law to grant real estate tax (hereinafter – RET) discounts. In accordance with Section 5 of Law “On Real Estate Tax”: “Local government may grant privileges to certain categories of payers of real estate tax in the amount of 90 per cent, 70 per cent, 50 per cent or 25 per cent of an amount of the real estate tax”.

By taking into account that there are no single criteria for application of the RET privileges and a local government adopt radically different binding regulations to ascertain current situation and to obtain information about the common and different features in the procedure of application of discounts in various regions, the LEC analysed binding regulations “On Privileges of Real Estate Tax” of 23 local governments available on the Internet, and as a result,

by summarising several examples of good practice developed the criteria for granting of the RET privileges to legal entities.

According to the opinion of the LDDK, the application of such criteria will ensure the understanding among natural persons and legal entities about the procedure of granting of privileges, priorities set by local governments for improving the wealth of the population.

In conclusion of the session, the members of the Council agreed about common position in this matter: "According to the good management principles, it is important for local governments to agree with their social partners: representatives of the State, employers and employees and non-governmental organisations about single criteria and co-ordinated application of the criteria for granting of real estate tax privileges to legal entities. The Public Consultative Council of the KNAB approves the initiative of the LDDK in drafting guidelines about granting of privileges to legal entities, payers of real estate tax in local governments."

On 2 October 2007, the 32nd session of the Public Consultative Council was held where members of the Council were introduced to the facts ascertained during the audit of the State Audit Office regarding registration operational capital, due to which the Director of the Bureau was temporarily dismissed from his duties. During the session, the members of the Council had an opportunity to learn about the circumstances of the case and the opinion and arguments of officials of the Bureau in this matter.

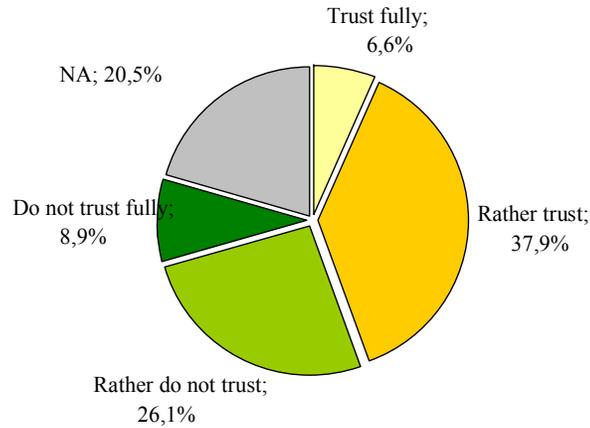
Public Opinion Research

In January 2007, Public Opinion Research Centre SKDS, according to an order of the Bureau, made a poll of the inhabitants of Latvia regarding trust in the Bureau and their opinions about the operation of the Bureau. In accordance with the results of the poll, 45% of inhabitants trust the Bureau in general ("trust fully" and "rather trust"), which is more than the inhabitants who do not trust in the Bureau (35%). Considerable proportion of the population deems that the Bureau has detected many serious cases of corruption and that the Bureau is efficiently fighting against corruption. The level of trust in the Bureau has increased, comparing to July 2005 when 40% of the population of Latvia trusted in the Bureau.

By taking into account the general trend that the level of trust of the population to state institutions both in Latvia and in the European Union in general is rather low, the indicators of the trust in the Bureau are good. For instance, 38% of the population trusted in the Government and 32% in the Saeima in the beginning of 2007.

Chart 5. Trust in the CPCB

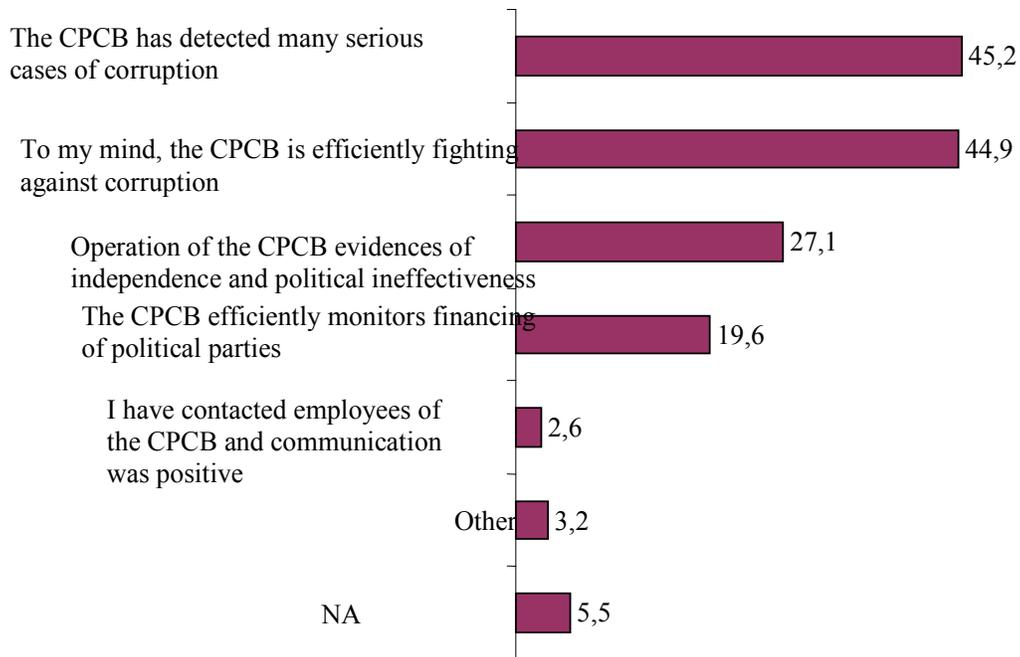
"Please evaluate to what extent you trust in the Corruption Prevention and Combating Bureau (CPCB)!"



Basis: all respondents, n=1001

Chart 6. Trust in the CPCB

"Please characterise the reasons why you trust in the Corruption Prevention and Combating Bureau" (%)



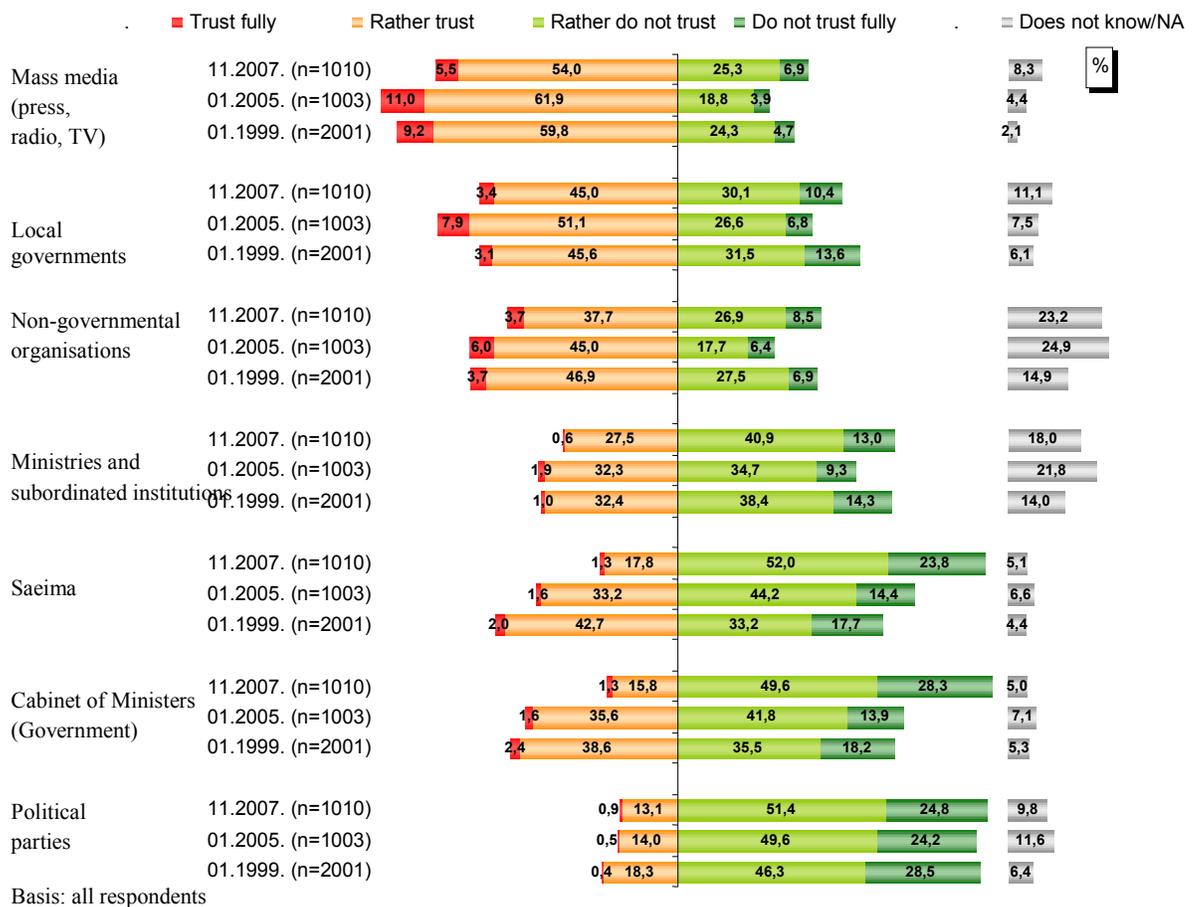
Basis: respondents who generally trust in the CPCB, n=442

*Since each respondent could mark several answers, total amount of answers exceeds 100%.

In November and December 2007, Public Opinion Research Centre SKDS, according to an order of the Bureau, made a comprehensive poll of the inhabitants of Latvia “Attitude of the population towards corruption”. For the first time, 2,010 respondents were asked about their experience with bribery. Questions were asked in the poll about the experience of the inhabitants in their communication with institutions, in order to clarify whether some unofficial payments or transactions were needed when dealing with the authorities, as well as about the opinion of the inhabitants about integrity of various institutions, the causes of the spread of corruption and factors that might stop its dissemination.

The main conclusion from the results of the poll: impact of corruption diminishes at the administrative level however an ever increasing proportion of the society is confident that high-ranking corruption is increasing and they are not of an opinion that the wish of public officials to fight against corruption is genuine. Comparing to the results of the poll in 2005, the trust of the society in the highest level government bodies: the parliament, government, state presidency, has decreased.

Chart 7. Trust in state and non-governmental institutions
(Comparison of the data of the polls in 01.1999, 01.2005 and 11.2007)

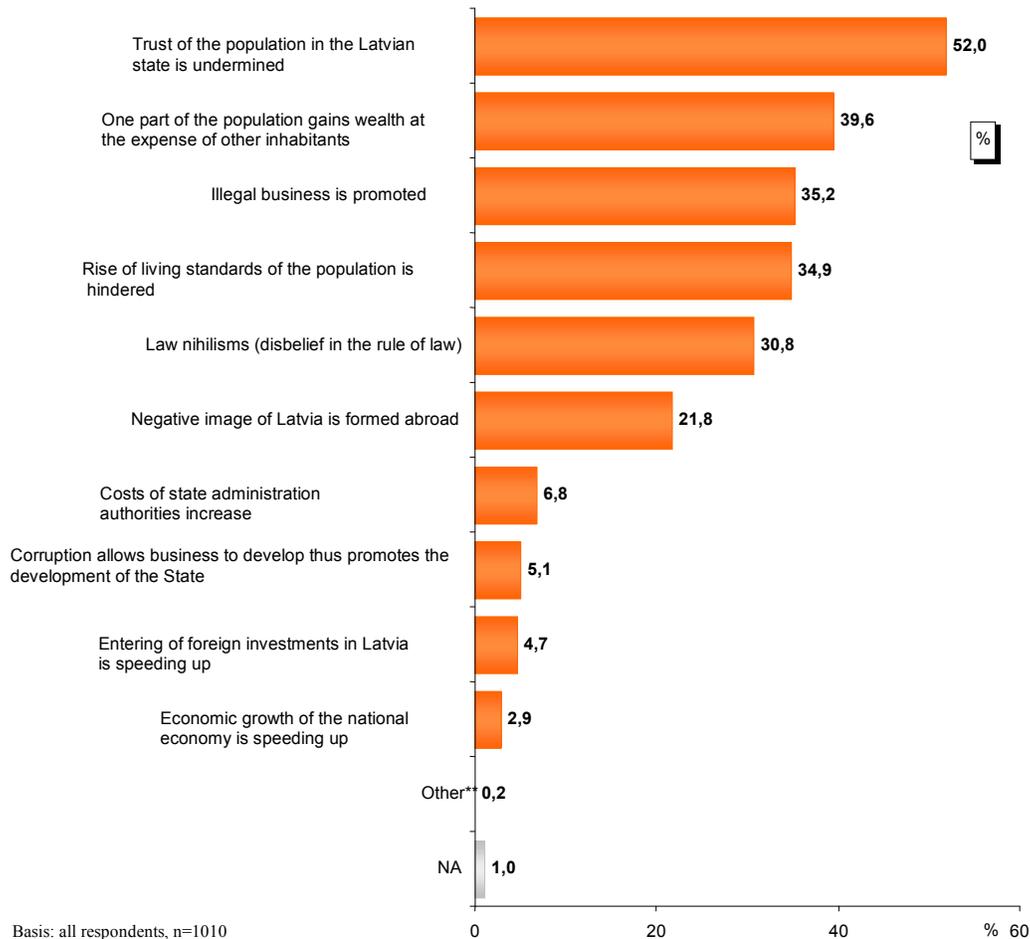


To answer the question, whether the wish expressed by public officials and the government to fight against corruption is genuine, the attitude of the society is sceptical since people deem that those are only speeches that do not evidence a sincere wish to eradicate corruption.

The majority of the population (52%) unambiguously, in the question about the effect of corruption, as the main factor recognises: undermining of the trust of the population in the Latvian state. It is followed by three factors related to “shadow” economy problems (in range from 35 to 40%). The five answers given by the inhabitants are concluded by 30.8% the opinion of the society that corruption promotes law nihilism (lack of belief to the rule of law).

Comparing to the poll in 2005, the last mentioned factor has the greatest increase in responses of the population (increase of 10.7%), as well as – undermining of the trust of the population in the Latvian state (increase of 5.6%).

Chart 8. Opinions about impact of corruption on the State in general
"To your mind, what is the impact of corruption on the State in general?"



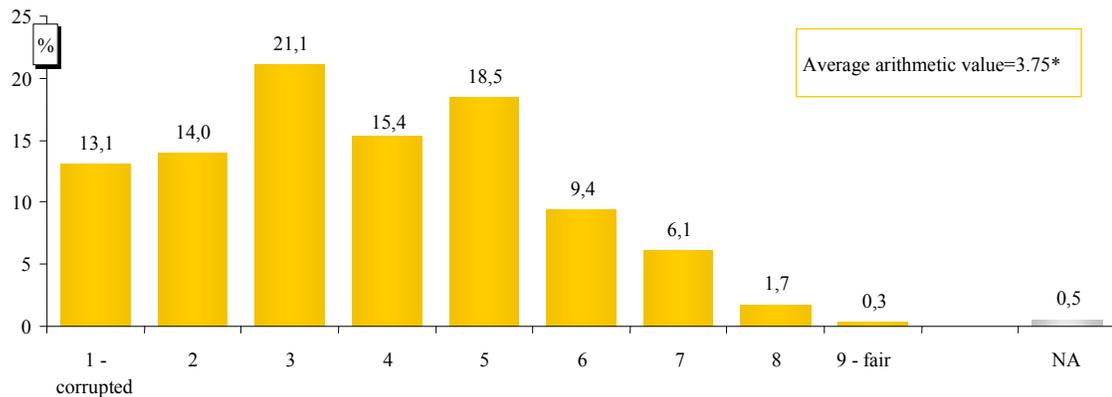
Positive trend is seen in the attitude of the population towards bribery: more or less 39% of the population would be ready to give a bribe to a public official in order to settle some matter, which is by 10% less than in 2005. By

evaluating the reasons due to which a bribe could be given, conclusions should be made that, by decreasing the frequency of mentioning of the same, the three most given answers have not changed. Namely, faster reviewing of matters (36.4%), security about solving of a problem (32.4%) and confidence about preferred solution of a matter or problem (29.9%).

Survey data shows that the population of Latvia are rather critical, when assessing the level of corruption of public officials: the average value is 3.75 in 9-points scale (where “1” means “corrupted” and “9” – “fair”). It should be noted that 27% of the respondents indicated that officers are comparatively corrupted (“1 – corrupted” and “2”), but only 2% expressed an opinion that officials are fair (“9 – fair” and “8”).

Analogous question to respondents was asked also in 1999 and 2005. By characterising the changes, it must be noted that the population in 2007 have given the more critical evaluation for fairness of officials (16%).

Chart 9. Evaluation of corruptibility of officers



Basis: all respondents, n=1010

*When calculating the average arithmetic value of the assessments, the proportion of respondents who provided specific assessment was taken into account.

When answering to question: “To your mind, the problems related to high-ranking bribery during the last four years are...”, 47% of the respondents indicated to worsening of the situation (“largely increased” and “slightly increased”), 30% expressed an opinion that the situation “has remained unchanged”, but 8% noted that such problems had diminished (“largely diminished” and “slightly diminished”).

Comparison of the survey data evidence that the respondents of the current year have more often emphasised, than in 2005, that the problems related to high-ranking bribery have increased.

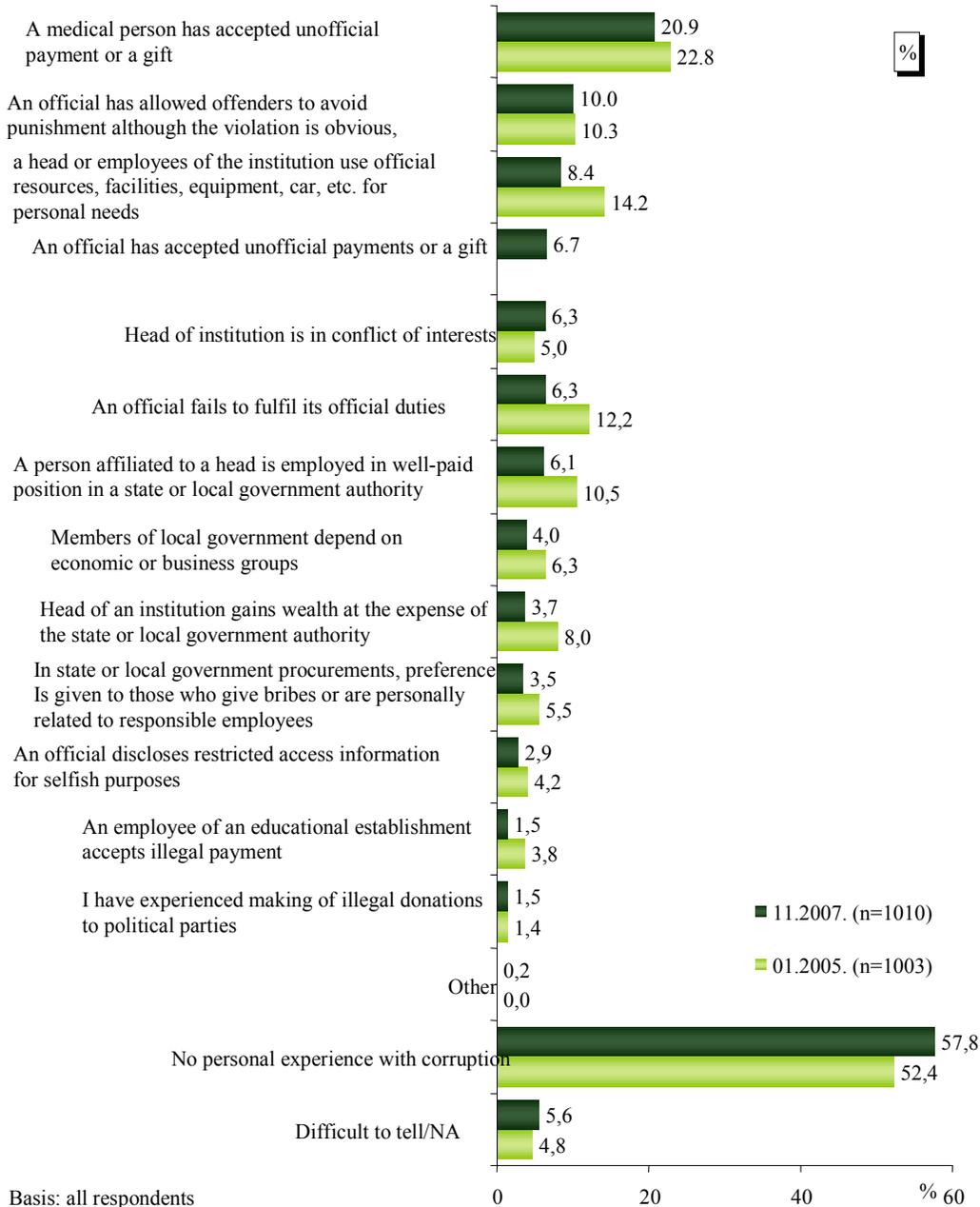
By characterising the type of corruption with which they personally had to contact during the last two years, respondents most often (21%) indicated that “a medical person has accepted unofficial payment or a gift”. Among the three most often mentioned types of corruption faced by the respondents, there is also that “an official has allowed offenders to avoid punishment although the

violation is obvious” (10%) and that “a head or employees of the institution use official resources, facilities, equipment, car, etc. for personal needs” (8%). Other types of corruption have been mentioned more rarely (2% – 7%).

58% of the polled inhabitants of Latvia noted that they “had not personally faced corruption” during the last two years.

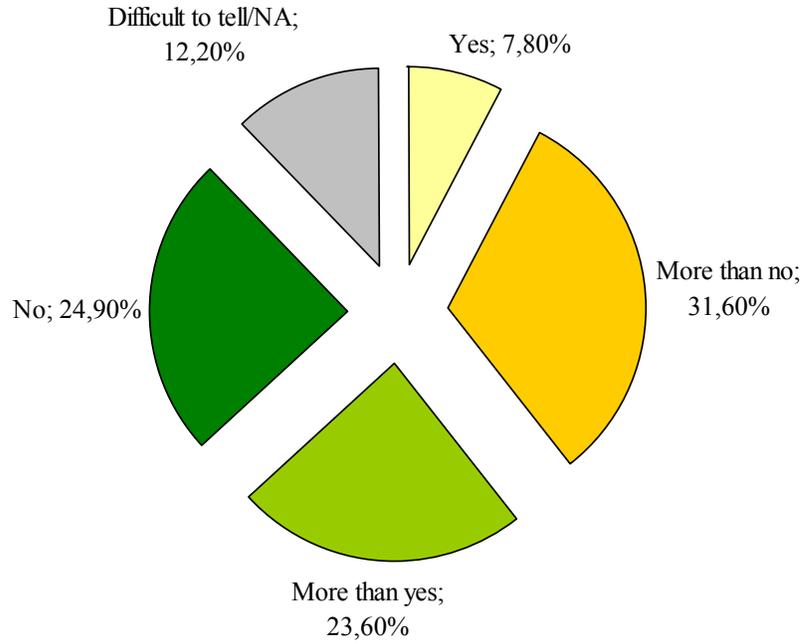
Chart 10. Contact with various types of corruption

“What type of corruption have you faced personally during the last 2 years?”
(Comparison of the poll data in 01.2005 and 11.2007)



* Since each respondent could mark several answers, total amount of answers exceeds 10%.

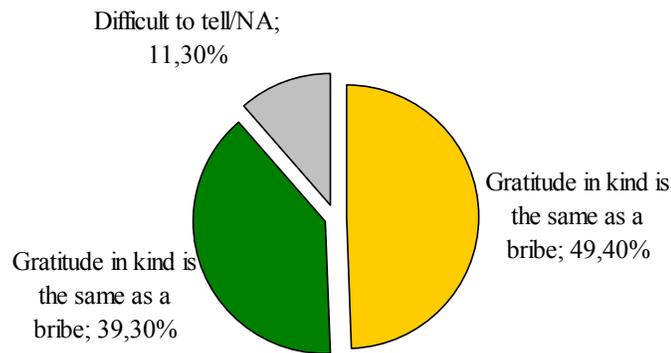
Chart 11. Readiness to give a bribe



Basis: all respondents, n=1010

Chart 12. Is a gift and a bribe the same?

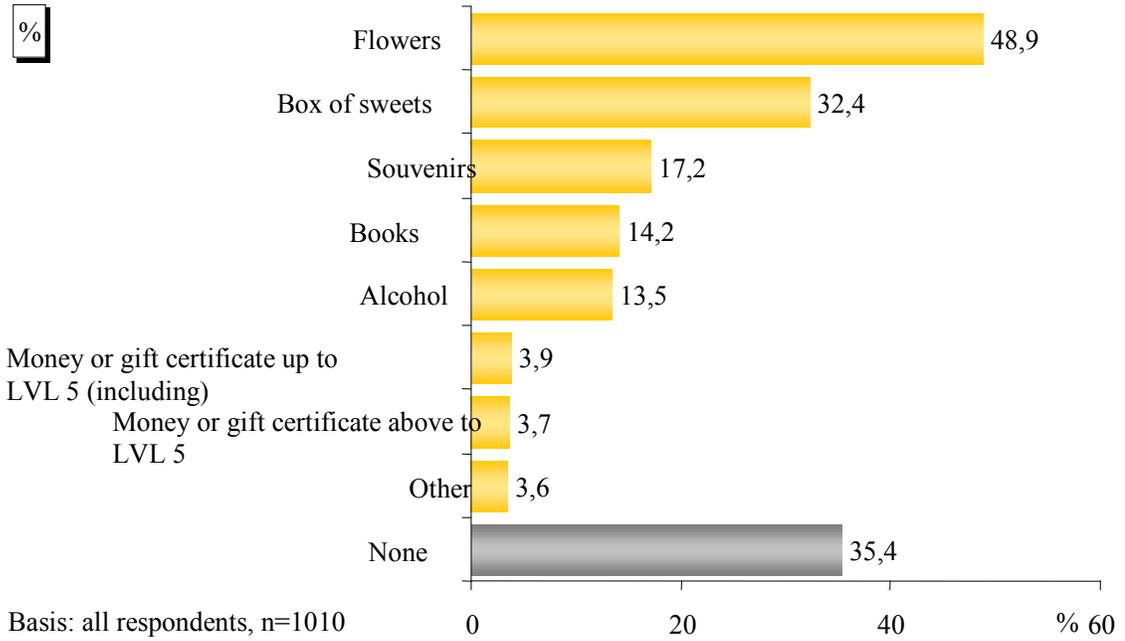
"There are different opinion whether gratitude in kind (as a gift, payment) for service provided, given to officials or employees of state or local government authorities is the same as a bribe, or that those are two different things. What do you think?"



Basis: all respondents, n=1010

Chart 13. Acceptable gift to a public official

"Please answer what kind of gifts you deem acceptable to give to some employee or official of state or local government authorities thus expressing your gratitude for services provided by them?"



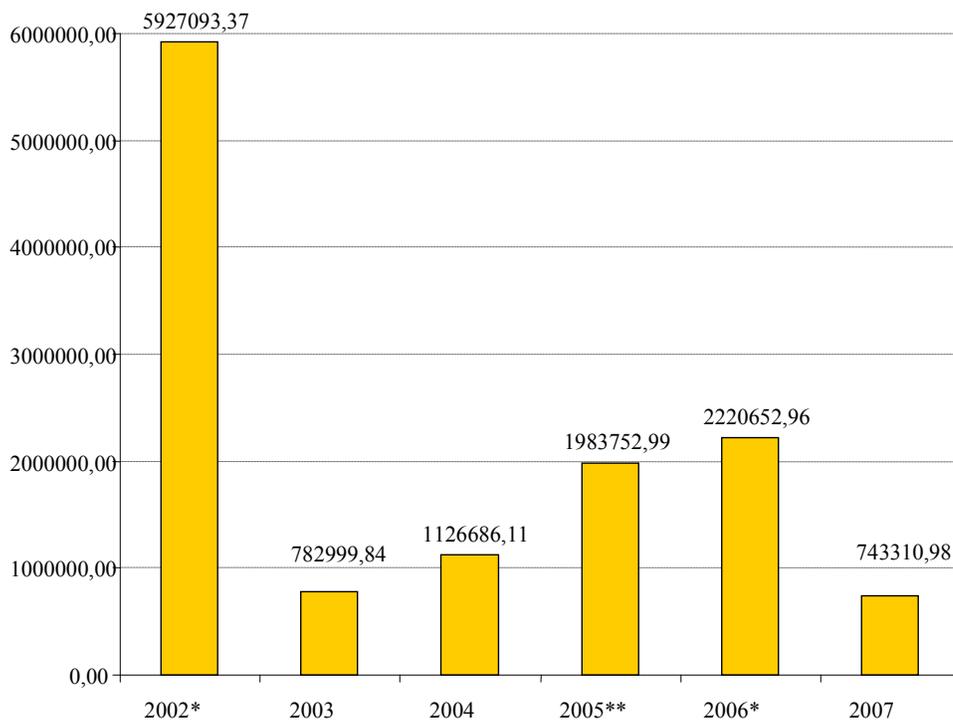
Results in Monitoring of Compliance with the Regulations on Financing of Political Parties and Their Associations

The Bureau performs monitoring of the financial and economic activities of political organisations in four stages: examination of submitted declarations in accordance with the requirements of the Law on Financing of Political Organisations (Parties), inspections of accounting, inspection of authenticity and lawfulness of donation, counter-inspections.

In accordance with the Law on Financing of Political Organisations (Parties), political parties must submit a donation report to the Bureau within 7 days from receipt of the donation. The Bureau may apply an administrative penalty for failure to comply with the said procedure.

In the reporting period, **390** reports have been inspected on gifts (donations) received by political organisations, which is by 278 donation lists less than in the previous year, based on the fact that political parties attract greatest funds in election years and there is decrease in financial activities in the following years.

Chart 14. Donations received by political parties (in lats), 2002 – 2007



* Saeima election

** Election of local governments

When accepting donations, political parties must follow themselves whether the restrictions in the law are observed: an amount of donation, prohibition to accept anonymous donation, prohibition to accept donation from legal entities, prohibition to accept donation without a bank transfer to a bank

account of a relevant political party if an amount of the donation exceeds 100 lats, prohibition to take loans and borrowings, give securities or guarantees. Administrative liability is stipulated for violation of the above-mentioned restrictions set by law.

By taking into account that the Bureau may detect violations, which cannot be established by a political party itself (donation is made for an amount exceeding income of a private individual that has been declared with the State Revenue Service during the last three years, donation has been made by an individual who is prohibited to donate, financing of political parties has been made by using intermediation of third parties), administrative penalty is not envisaged for such violations, but the Law on Financing of Political Organisations (Parties) provides repayment of the funds to the state budget in case, if funds gained as a result of such violations are illegal.

12 decisions were made on violations established as a result of inspection of the lawfulness and authenticity of gifts (donations) in 2007 by instructing repayment of financing received in contrary to the Law on Financing of Political Organisations (Parties) – in the amount of LVL **30,223.72**. 6 decisions of those have been enforced and 2 decisions have been appealed to court.

By making inspection of political parties' reports on observance of the regulation on publication of gifts (donations) received or not accepted by political parties and annual financial activity declarations and the procedure for submission of annual reports on 2006, **24** administrative violation statements were drafted and **10** decisions were made on application of administrative penalties for a total amount of LVL **3,100**. In thirteen cases, administrative matter was terminated due to its insignificant nature and in 1 case administrative matter was terminated due to its lapse.

In 2007, by making inspections of annual financial activity declarations of political parties, annual reports and election income and expenditure declarations, totally **19** administrative statements were drafted on failure to observe the requirements of the Law on Financing of Political Organisations (Parties) and **15** decisions were made on application of administrative penalty to political parties in the amount of LVL **14,750**, in 3 cases, administrative matter was terminated due to its insignificant nature and in one case administrative matter was terminated due to its lapse.

By inspecting the observance of the regulations on publishing of reports on gifts (donations) received or non-accepted by political parties, **8** administrative violation statements were drafted and in **7** cases, administrative matter was terminated due to its insignificant nature.

In 2007, by making inspections of annual financial activity declarations of political parties, annual reports, notifications about planned election expenditure, pre-election expenditure, election revenue and expenditure declarations, totally **45** administrative statements were drafted on failure to observe the requirements of the Law on Financing of Political Organisations (Parties) and **25** decisions were made on application of administrative penalty to political parties in the amount of LVL **18,050**, in 19 cases, administrative

matters were terminated due to their insignificant nature and in one case, due to its lapse.

Two administrative violation statements were drafted for financing of a political party by using an intermediary, and respectively two decisions were made on application of administrative penalty to such persons in the amount of LVL **200**.

On the basis of administrative acts issued by the Bureau, in 2007, fines charged from political parties in the amount of LVL **3,725** were paid to the State Treasury, illegal donations in the amount of LVL **12,948.54**, as well as funds in the amount of LVL **1,059.15** which were received in contrary to the provisions of Paragraph one of Section 4 and Paragraph one of Section 6 of the Law on Financing of Political Organisations (Parties) stating that political parties may accept gifts (donations), by observing the restrictions defined in law, from citizens of Latvia and individuals who are entitled to receive a passport of a non-citizen of the Republic of Latvia in accordance with law. But Paragraph one of Section 6 of the said Law provides that natural persons are prohibited to finance political parties from gifts and loans of other persons. Natural persons to whom penalty has been applied for intentional crime against the property, intentional crime in national economy, as well as intentional crime in service of a state institution and for whom criminal record has not been deleted or removed, with the exception of rehabilitated persons, as well as former staff and non-staff employees and informants of the state security committee shall be prohibited to finance political parties by gifts and donations or in any other way (membership fees). Political organisations have voluntarily repaid funds to the State Treasury in the amount of LVL **228.11**.

On the basis of decisions made by the Bureau on application of administrative penalties, **7** decisions have been forwarded to law enforcement officers for levy of fines.

4 administrative violation statements were executed on failure to fulfil the legitimate requirements in due time by officials of state institutions that implement the control, supervision or investigation functions, and court made **4** decisions on application of administrative penalties for a total amount of LVL **100**.

By making inspections of the authenticity and lawfulness of donations, it has been established that in **3** cases, income of donors, possibly, were not corresponding with their expenditures, thus inspection materials about such individuals were sent to the SRS for verification of the legality of income of such persons. In the reporting period, the SRS, on the basis of the results of performed audits, has made decisions on calculation of additional taxes and application of a fine to **2** persons for a total amount of LVL **11,194.22**.

In the reporting period, on the basis of claim statements of the Bureau to court, the activity of 1 political party was suspended and the activity of 1 political party was terminated, but court charged one political party to transfer an illegally received gift (donation) in the amount of LVL 9,120 to the state budget.

On 24 October 2007, the Bureau reported on detected violations as a result of the inspection of declaration of the 9th Saeima elections submitted by political parties.

Elections to the 9th Saeima in 2006 in Latvia were held for the first time by observing the restrictions to the amount of pre-election expenditure determined by the Law on Financing of Political Organisations (Parties) in 2004. A political organisation or association of political organisations, which has submitted a list of its candidates to parliament members for the Saeima elections in five election districts, may use an amount for its pre-election expenditure not exceeding 0.20 lats per voter in the previous Saeima elections. If a political organisation (political party) or association of political organisations (political parties) submits a list of its candidates only in individual election districts, an amount not exceeding 0.20 lats per voter of the respective election district in the previous Saeima elections may be used for its pre-election expenditure. Maximum admissible pre-election campaigning expenditure limit in the elections in 2006, when submitting a list of candidates in five election districts, was **279,631.20** lats.

The most important upgrade of law in 2006 was the obligation of political parties to transfer funds to the state budget for an amount corresponding to any exceeded pre-election expenditure.

The Bureau made conclusions as a result of inspections that, out of **19** political parties and their associations which participated in the elections to Saeima in 2006:

- No incompliance with the provisions of law was established in information given in the election income and expenditure declarations submitted by **8** political parties. Those political parties are: Māras Zeme, political party “Visu Latvijai” (“All for Latvia”, political party “Mūsu zeme” (“Our Country”), political party “Tēvzemes savienība” (“Fatherland Association”), political party “Nacionālā Spēka Savienība” (“National Power Association”), political party “Eiroskeptiķi” (“Eurosceptics”), political party “Jaunie Demokrāti” (“New Democrats”) and the Political Party of Pensioners and Seniors;
- **3** political parties were called to administrative liability for violation of the regulation on financing of political parties by expressing verbal reprimands;
- **8** political parties were called to administrative liability for violation of the regulation on financing of political parties, including **5** political parties – also for failure to observe the restrictions to pre-election expenditure, by applying fines in the total amount of LVL **12,900**;
- The above-mentioned **5** political parties or their associations exceeded the restrictions to pre-election expenditure for the total amount of LVL **941,492.32**;

- It was concluded that expenditure related to election campaigning were not indicated in declarations submitted by political parties for the total amount of LVL 1'130,170.49.

Table 2. Administrative liability for failure to observe the requirements of the law on financing of political organisations (parties)

No.	Name of political party	Applied administrative penalty (in lats)	Date of decision	Status
Par failure to observe restrictions to an amount of pre-election expenditure, acceptance of unauthorised gift (donation) and provision of false information in declaration				
1.	Tautas partija (People's Party)	5,000.00	06.06.2007	Appealed
2.	Election association of the Latvian First Party and "Latvijas Ceļš" ("Latvia's Way")	5,000.00	13.09.2007	Appealed
3.	"Saskaņas Centrs" ("Centre of Union")	700.00	08.10.2007	Appealed
4.	Greens and Farmers Union	500.00	10.09.2007	Appealed
For acceptance of unauthorised gift (donation) and provision of false information in declaration				
5.	PPA "Dzimtene" ("Motherland")	700.00	11.09.2007	Appealed
For failure to observe the restrictions to the amount of pre-election expenditure and provision of false information in declaration				
6.	"Jaunais laiks" ("New Era")	500,00	01.10.2007	Not appealed
For provision of false information in declaration				
7.	Associations "Tēvzemei and Brīvībai"/LNNK ("For Fatherland and Freedom"/LNNK)	250,00	25.06.2007	Paid
8.	Sociālā Taisnīguma Partija (Social Justice Party)	250,00	29.10.2007	Not appealed
TOTALLY:		12,900.00		

By evaluating the funds actually spent by political parties that participated in the elections to Saeima, the Bureau has established that five political parties or their associations have exceeded the amount of pre-election expenditure allowed by the law, of those **two** – People's Party and the election association of the Latvian First Party and "Latvia's Way" have exceeded the said amount by more than 5,000 lats. It must be emphasised that the maximum limit of a fine when calling political parties to administrative liability for failure to observe the restrictions to pre-election expenditure amounts is 5,000 lats.

Table 3. Failure to observe the restrictions for amount of pre-election expenditure

No. p/k	Name of political party	Amount of pre-election expenditure permitted in accordance with law (in lats)	Excess of the amount of pre-election expenditure	
			(in lats)	(% of permitted amount)
1)	Tautas partija (People's Party)	279,631.20	529,980.54	189.53
2)	Election association of the Latvian First Party and "Latvijas Ceļš" ("Latvia's Way")	279,631.20	401,610.26	143.62
3)	"Saskaņas Centrs" ("Centre of Union")	279,631.20	4,463.58	1.60
4)	Greens and Farmers Union	279,631.20	3,350.78	1.20
5)	"Jaunais laiks" ("New Era")	279,631.20	2,087.16	0.75
TOTALLY:			941,492.32	

Appeal of Decisions

Out of the political parties to which administrative penalty has been applied, 7 political parties have appealed against the decision made by the Division of Control of Financing of Political Organisations on calling the same to administrative liability, to the Director of the Bureau:

- 5 decisions were left without any changes;
- 2 decisions were cancelled partially.

In 2007, representatives of the Bureau participated in **10** court sessions where claim statements of political organisations on decisions of the Director of the Bureau in administrative violation cases were reviewed.

Results in Corruption Combating

Due to growing professionalism of investigators of the Bureau and the capacity of the combating branch, increasingly complicated criminal offences are detected in the service of state institutions. The number of detected criminal offences increases where high-ranking public officials are involved, where giving of bribes is complex and according to a scheme elaborated during several years by using several intermediaries, often persons who are closely familiar for a longer term, by involving several persons in planning and committing of crimes who are characterised with high level of education and specific professional skills, the exercising of which makes detection of a criminal offence utmost difficult. More often, several episodes of criminal offences committed by the same persons are established and detected. Criminal matters investigated by the Bureau are voluminous and demand great time and human resources for gathering and fixing of the basis of evidences.



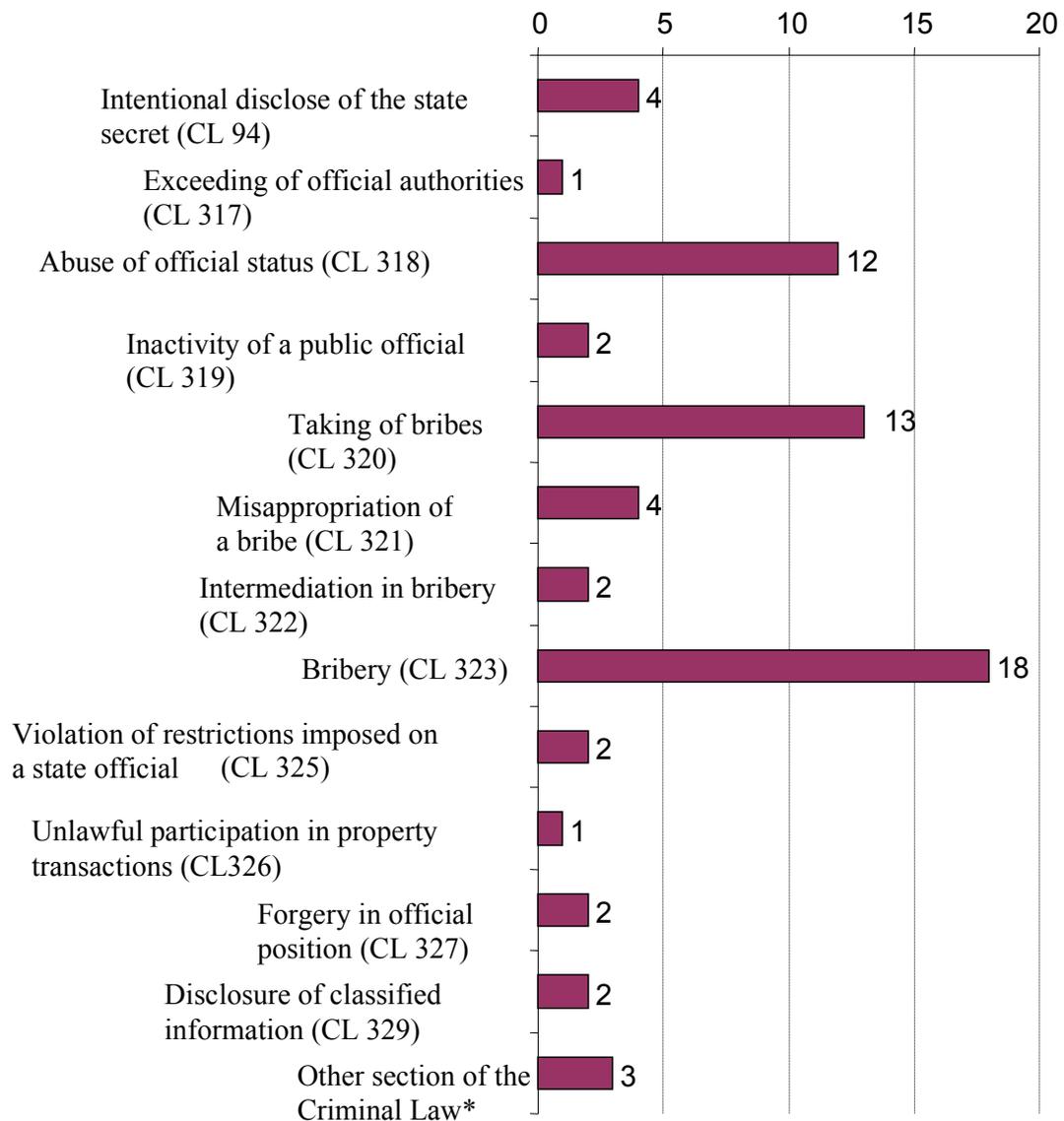
Photo: AFI

Comparing to 2006, when efforts were made to adjust investigation to the provisions of the new Criminal Procedure Law, the main deficiencies found in the Law were eliminated in 2007 and there are no uncertainties regarding the application of the same anymore. Cases investigated by the Bureau have become more voluminous (for instance, several episodes – 31 episodes in the matter of the Director of Daugavpils Land Register Division), and thus the duration of investigation also becomes longer, which is also influenced by several external factors. By taking into account the complex nature of corruption cases, processes like globalisation and broader integration to the European Union also determines that also investigatory activities must be made in international level. Response to requests of legal aid must be awaited from one and a half to two years, thus it also affects the duration of review of a case. One must take into account also the load of work in state court examination of the Bureau and the Forensics Department of the State Police, which affects the time of receipt of

various necessary examination results (phonoscopic examination might last 6 months, examination of handwriting – up to 3 months).

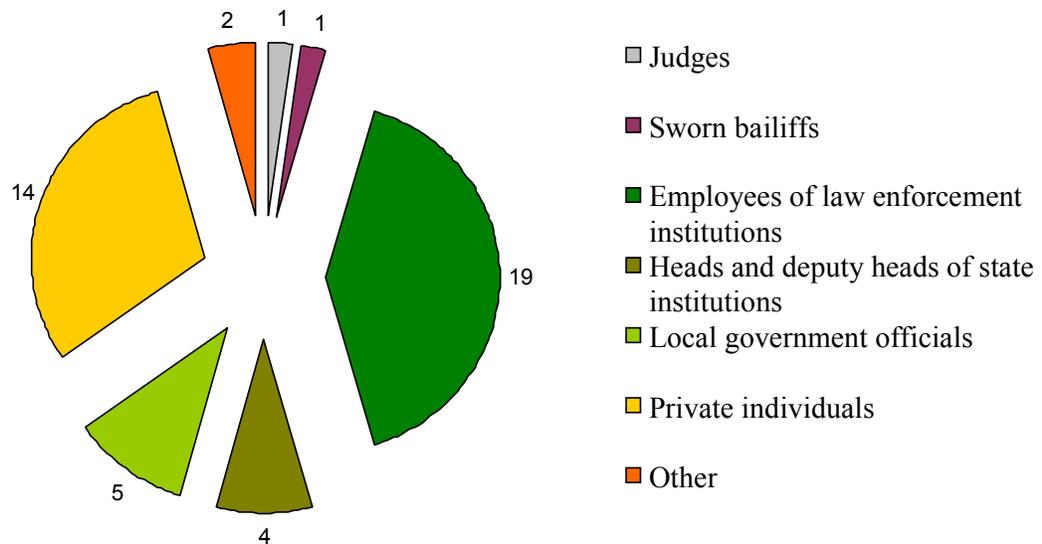
In 2007, the Investigation Division of the Bureau initiated **30** criminal proceedings. **18** criminal proceedings against **46** persons were sent for criminal prosecution (see charts 15 and 16), **14** criminal proceedings were terminated. **5** criminal proceedings were sent to other investigatory institutions in accordance with the jurisdiction. **6** criminal proceedings were received from other investigatory institutions. **56** decisions were made in form of a resolution to refuse to initiate criminal proceedings.

Chart 15. Criminal cases sent for criminal prosecution, by Sections of the Criminal Law (CL), in 2007.



* Criminal cases were sent to the prosecutor's office suggesting to initiate criminal prosecution also according to Sections 177 (Fraud) and 193 (Illegal transactions with securities and means of payment) of the Criminal Law.

Chart 16. Persons against whom initiation of criminal prosecution is requested



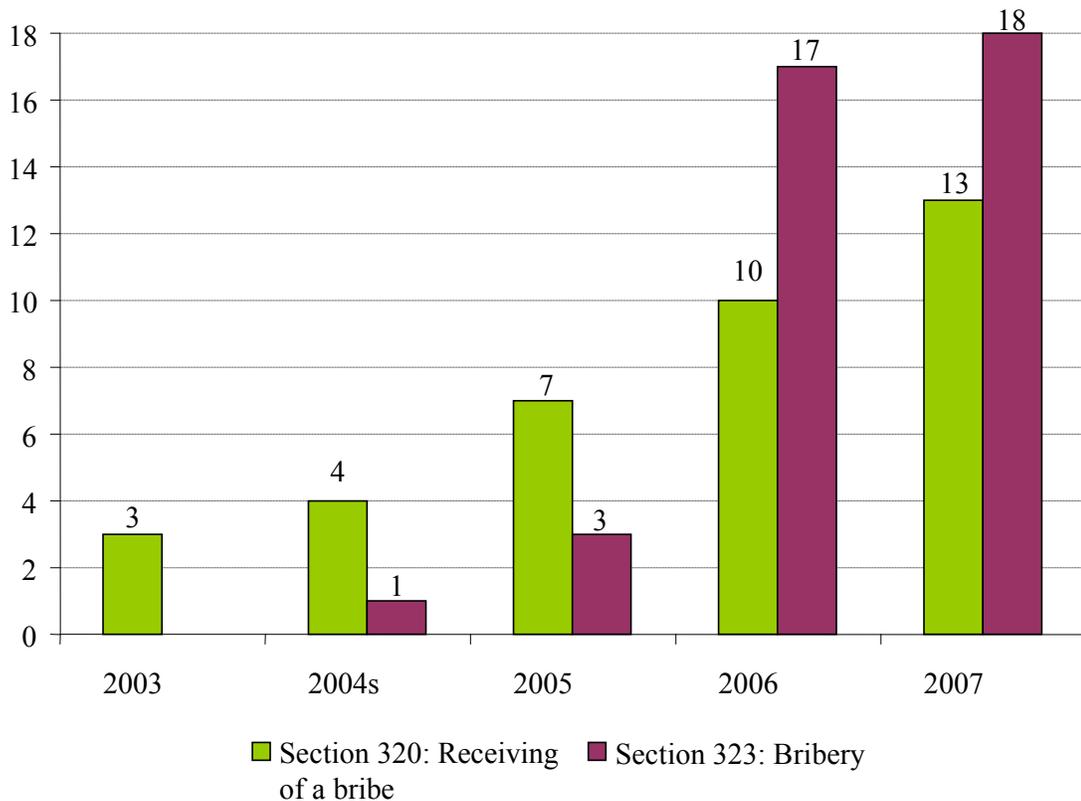
On 1 January 2008, **54** criminal cases were registered in the Bureau's Department of Investigation, including 23 criminal proceedings initiated before 1 January 2007 and 31 criminal proceedings initiated during 2007.

By analysing the forms of display of corruption and development of corruptive criminal offences, conclusions can be made that corruptive criminal offences are losing the primitive manifestation forms and become more complicated. Nowadays, demanding of a bribe, where reporting by inhabitants themselves is very important to detect it, is not open and direct anymore. Officials are aware that putting of people in helpless situation is motivating them more to address law enforcement institutions for assistance. Corruption becomes more latent, by taking more hidden forms. People report on cases of demanding or accepting of bribes more rarely and informants have an important role in detection thereof, as well as the use of special technical auxiliary means, in order it would be possible to detect all the elements of the bribery chain: givers and receivers of such illegal benefit.

For instance, in December 2007, criminal proceeding materials were sent to the prosecutor's office for initiation of criminal prosecution with suggestion to call the Director of the Defence Property State Agency of the Ministry of Defence to criminal liability for accepting of a bribe in a large amount and abuse of the authority in relation to procurements for state needs, one private individual for giving of a bribe and fraud in a large amount, as well as another private individual – for supporting of fraud. The criminal proceedings materials give evidence that the Director of the Defence Property State Agency, while

being also a chairman of the procurement commission, used his official powers and intentionally made illegal activities, incl. organised a fictive procurement together with interested persons for false higher prices and ensured winning of his preferred enterprise in a price inquiry related to contraction, by receiving also a bribe for those activities.

Chart 17. Cases sent for criminal prosecution about bribery in 2003 – 2007, according to Sections 320 and 323 of the Criminal Law



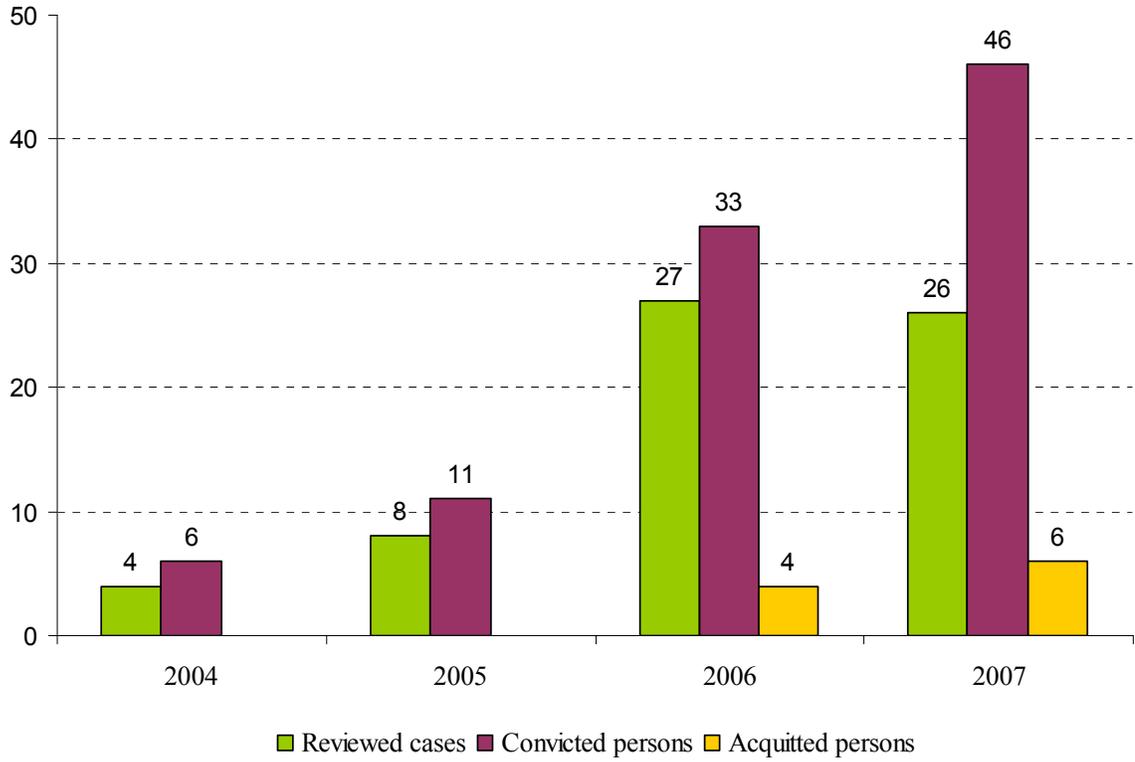
If the understanding of receipt of a bribe as a criminally punishable act of public officials changes, people do not see violations of law in bribery and sometimes are even persistent by trying to solve their problems in such a way. The opinion that a giver of a bribe is only a victim of illegal activity of officials is delusive. For instance, in April 2007, materials were sent to the prosecutor's office for initiation of criminal prosecution against an individual who had tried to pass a driving test for several times unsuccessfully and, during an exam, by being aware of her weak skills in driving and that she could fail the exam, she tried to give a bribe to a transport vehicle drivers' examination inspector of Riga Department of the Road Traffic Safety Directorate, by indicating very clearly that a money amount of 150 lats was offered in order the inspector would give her positive evaluation in 'B' category transport vehicle driving exam, by using the official authority of the said instructor. The official of the Road Traffic Safety Directorate, by being aware that accepting of a bribe is ka bribe is illegal, refused from taking the offered money, thus the individual did not manage to

fulfil a criminal offence due to circumstances not dependent on her own will. In accordance with a judgement which entered into force on 8 May 2007, the individual was found guilty attempted bribery and penalty was applied to her with deprivation of liberty for 1 year and 6 months on probation, with a probation period of 1 year.

This trend is the most visible in relation to violations of road traffic rules. Besides, the Bureau has managed to detect that also such a typical situative criminal offence is launched in a well-organised scheme, by involving also organizers of crime, intermediaries and supporters, by delivering illegal benefits later (and not at the venue), plus also by paying bribes in advance. In August 2007, criminal proceedings materials were sent to the prosecutor's office for initiation of criminal prosecution by suggesting to call the former Chief of the Road Police Division of the Central Police Board of Riga City to criminal liability, as well as four employees of the police and seven private individuals. Evidences were obtained during the investigation that the Chief of the Road Police Division of the Central Police Board of Riga City, by using his official position, accepted several bribes but the four police officers gave bribes and organised delivery of bribes, in order favourable decisions were made in the interests of offenders of the road traffic rules, also by misappropriating bribes in individual cases.

During the investigation, it was established that several persons had purchased a member certificate of Riga City Road Traffic Safety Fund for 500 lats from the Chief of the Road Police Division of the Central Police Board of Riga City, for the purpose that the said official, by using his official status and identification among employees of the police, would assist the fund members to avoid administrative liability for committed violations of the road traffic rules.

Work of investigators is encumbered with detection of corruptive offences in activities of employees of law enforcement institutions who use their professional skills that have been obtained in relation to their position for hiding of crime and hindering the investigation work, besides they also often do not submit to lawful requests of the Bureau's employees during detention and put up resistance. For instance, in May 2007, under suspicion of acceptance of a bribe, by detaining two employees of the Patrol Police Division of Riga Central Police Board of the State Police, police officers attacked an employee of the Bureau by threatening to use a firearm.

Chart 18. Cases reviewed in the first instance court and convicted persons

International Cooperation and Gathering of Experience of Other Countries

In 2007, the Bureau organised two meetings of the **Foreign Advisory Panel (FAP)**. In January, the Bureau informed representatives of foreign embassies and international organisations about the achievements of the Bureau in corruption prevention and combating during 2006, as well as introduced to the priorities of its future work and the specific nature of criminal procedure and investigational work in detection of corruptive criminal offences. About 30 participants attended the meeting: ambassadors of several Member States of the European Union, the United States of America (USA), Moldova and Turkey, representatives from the embassies of Austria, Belarus, France, Israel, Russian, China, the Great Britain, Norway, and Poland. Guests were also representatives of the Central Anti-Corruption Bureau of Poland. The foreign representatives gave positive approval of the results achieved by the Bureau both in prevention and in combating of corruption and were glad to hear about the increasing confidence of the society and its support to the Bureau. In October, more than 20 representatives of countries and international organisations participated in a meeting of the Foreign Advisory Panel. During the meeting, the participants were informed about the results of the Bureau before the 5th anniversary of the Bureau on 10 October and about aspects of action related to dismissal of the Director of the Bureau.

Within the framework of a project financed by the World Bank, representatives of the Bureau participated in visit of exchange of experience in the USA in January 2007, in the field of corruption prevention. During the visit, representatives of US institutions provided a report on legal regulation of corruption prevention at the state and federal level, as well as the application practice. Representatives of the Bureau had an opportunity to familiarise themselves with the mechanisms for monitoring of activities of US Congress representatives and senators, prevention of conflict of interests in activities of government members and officials of state institutions, competence of the Federal Investigation Bureau and Pennsylvania Ethics Commission in prevention of conflict of interests, monitoring the utilisation of the state budget funds and the role of the Internal Revenue Service in investigation of illegally gained funds. Representatives of the Bureau gave a presentation at the US State Department on results of corruption prevention and combating in Latvia.

In collaboration with the **British** Embassy in Riga and the Tax and Customs Board of the Great Britain, the Bureau organised 5-day training to employees of the Bureau about special investigation activities that not only provided an opportunity to acquire necessary knowledge but also exchange experience with British colleagues in this matter.

In collaboration with the Embassy of **France**, the Bureau organised a seminar in June 2007 where representatives of France shared their experience about corruption combating and monitoring of financing of political parties in France. The training was conducted by the Deputy Chief of the Central Corruption Combating Brigade of France and a representative from the National Commission of France for Monitoring of Financing of Election Campaigns and Political Parties. Employees of the Bureau learnt during the training what is the mechanism for monitoring of in France and how state financing is allocated to political parties and monitored. Experts of France introduced also to restrictions defined to additional employment of officials and other restrictions, as well as income declarations of officials.

In 2007, the Bureau was visited for introduction by representatives of the newly established Central Anti-corruption Bureau of **Poland** (Centralne Biuro Antykorupcyjne – CBA). CBA has been established rather recently, in May 2006, thus the Polish colleagues had special interest in the process of forming the Bureau, its legal regulation, functions and experience in corruption combating. As a result, decision was made to strengthen co-operation with CBA, by organising study visits to Poland and by concluding an interagency agreement.

During the reporting period, the Bureau continued its successful collaboration the Special Investigation Service of **Lithuania** (Specialiuju tyrimu tarnyba – STT). By implementing the co-operation agreement between the Bureau and STT, several visits for exchange experience were organised in 2007, including for exchange of experience in matters of intelligence action support and classified information and data circulation, as well as analysis of such data. As a result of the above-mentioned visits, plans are prepared that STT will assist to the Bureau in improvement of classified information and data circulation.

In 2007, employees of the Bureau participated in various international seminars, conferences and forums repeatedly, by improving their knowledge and by strengthening the relations with professionals of their field in other countries, by popularising the Bureau and its operation abroad, as well as by giving their own contribution to international anti-corruption efforts.

Employees of the Bureau attended seminars and conferences in the field of corruption combating organised by the European Anti-Fraud Office (henceforth – OLAF) in collaboration with Germany and Eurojust, a seminar of the Central Asia – Caucasus Institute Silk Road Studies Program organised by Sweden, which was devoted to problems of drug abuse, organised crime and corruption combating in the Baltic Sea Region, and a conference organised by the European Academy of Law, which was devoted to the fight against corruption and fraud in the European Union. Representatives of the Bureau attended a seminar organised by the US Federal Investigation Bureau in

Vilnius, which was devoted to the matters of corruption combating, and four representatives of the Bureau participated in a three day conference organised by the US Embassy of Riga about corruption in the public sector, financial crime, organised crime, confiscation of property and money laundering, which was attended not only by representatives of Latvian and US law enforcement institutions and prosecutor's offices but also by colleagues from Rumania.

One of the tasks of Latvia in foreign policy is implementation of **development collaboration** policy and provision of aid to the EU neighbouring countries and other countries in the neighbouring regions (mainly the Balkan and the CIS countries), with the aim to strengthen democracy and to support further economic and social development in the said countries. The Bureau, by implementing international collaboration within its competence, has started active work in order to share its experience with those countries. The Bureau has not only participated in projects of international organisations, which stipulate provision of such aid, but also received delegations of those countries several times. For the purpose to get acquainted with the Bureau, its operation, functions and results in corruption prevention and combating, as well as education of the society, the Bureau was visited by delegations and individual representatives from, for instance, Ukraine, Kazakhstan, Kyrgyzstan, Tajikistan, Belarus, and Sweden.

Representatives of the High Inspectorate of Declaration and Audit of Assets of **Albania** visited the Bureau for exchange of experience on 7 – 8 June 2007.

Representatives of the State Commission for Prevention of Corruption of the **Former Republic of Macedonia** visited the Bureau for exchange of experience on 11 – 12 June.

Delegation of **Kosovo** Anti-corruption Agency had introduction visit in Latvia on 25 – 27 June 2007, and the delegation acquired the experience of Latvia in establishing an anti-corruption service, corruption combating and prevention, as well as education of society.

Head of the National Anti-corruption Directorate of **Rumania** (Direcția Națională Anticorupție – NAD) and several representatives of public relations field, within the framework of the study visit to Latvia.

Following to the successful visit of representatives of **Kyrgyzstan** National Corruption Prevention Agency to Latvia in the last year, the Bureau and the National Corruption Prevention Agency signed an agreement on mutual co-operation in the field of corruption prevention and combating in April 2007. The subject of the agreement is to promote mutual collaboration by

implementing common action in corruption prevention and combating directed to elimination of corruption.

Representatives of the Bureau take active part also in multilateral projects of other countries and anti-corruption initiatives of international organisations. In April 2007, a representative of the Bureau participated in anti-corruption monitoring mission of the **Organization for Economic Cooperation and Development** in Kyrgyzstan during which anti-corruption measures implemented by Kyrgyzstan and the process of introduction of legal regulation were evaluated.

Director of the Bureau participated in a seminar in May in Moscow about international anti-corruption conventions and implementation of the same. The seminar was organized by the Ministry of Justice of Finland and Russia. The Director of the Bureau gave a presentation by sharing the experience of Latvia in its fight against corruption and by informing about functions of law enforcement institutions in this area.

Deputy Director of the Bureau participated in conference “Honour and Fight against Corruption in State Administration” in May 2007, in Bucharest, within the framework of the OECD and EU SIGMA Programme. Participants of the conference were informed about corruption prevention in Latvia, including about prevention of conflict of interests, codes of conduct and commissions of ethics, internal control and training of officials.

On 19 – 23 March 2007, representatives of the Bureau participated in the European Council **GRECO** 32nd plenary session where reports on Ukraine, Albania, the Czech Republic, Hungary, Lithuania, the Netherlands, Macedonia, Denmark and France were approved. The session included also a seminar about monitoring of financing of political parties. The goal of the seminar was to prepare representatives of GRECO Member States who will make evaluation of the Member States in this field, within the framework of GRECO’s 3rd Round Evaluation. Deputy Director of the Bureau in the prevention matters, Alvis Vilks participated in the seminar as one of its lecturers.

On 29 May to 1 June, representatives of the Bureau participated in GRECO’s 33rd plenary session where reports on Belgium, Bulgaria, Germany, Lithuania, Malta, and Sweden were approved. For the purpose of strengthening the compliance with the European Council anti-corruption conventions, tour de table was started at this session: presentations of the Member States about current matters, for instance, at the said session - “Current matters in anti-corruption institutions and strategy, including information of society”. A representative of the Bureau informed about amendments to regulations suggested by Latvia in the field of campaigns of political parties and pre-election campaigns, the recently developed lobbying concept, including the

changes suggested for the criminal law regulation of trading with influence, as well as about information and education of society.

On 16–19 October, a representative of the Bureau participated in GRECO's 34th plenary session and shared the experience of Latvia in restrictions to public officials regarding earning of income, entrepreneurship and receiving of gifts.

In GRECO's 35th plenary session on 3-5 December, a working plan for 2008 was approved, which includes the 3rd Round Evaluation of Latvia and approval of a final report on regulation of corruptive criminal offences and financing of political parties in 2008.

An official from the Bureau, as a GRECO expert from Latvia, participated in an evaluation visit to the **Netherlands**, during which the transparency of financing of political parties in the Netherlands was evaluated.

All reports approved by GRECO are available to public from <http://www.coe.int/t/dg1/greco/evaluations/>.

On 2 March and 11 May in Brussels, a representative of the Bureau participated in meetings of the **European Union** Multidisciplinary Working Group on Organised Crime (MDG) where questions were considered about creation of a European contact-point network against corruption. Experts from the Member States agreed to support the draft decision of the Council and to advance it for further reviewing.

The Bureau, in collaboration with **STT of Lithuania**, lead working party "Common standards and good practice of anti-corruption institutions" of "European Partners against Corruption" (**EPAC**), which was formed in November 2006. A questionnaire was developed by the Working Party in 2007, which was completed by the Member States to the Working Party by summarising information about the trends and specific practice in various countries. In December 2007, the management of the Bureau participated in the annual conference of EPAC in Helsinki where a final report of the Working Party was presented. It summarised the most important international standards for activity of an anti-corruption institution and good practice was compared. Summary of the Report is available from http://www.CPCB.gov.lv/uploads/pdf/12122007_common_standards.pdf.

On 9 and 10 October 2007, the Bureau organised international conference "**Corruption Prevention and Combating: Trends and Future Challenges**". The aim of the Conference was to review the results in corruption prevention and combating of the five years since forming of the Bureau, to discuss priorities for future activities and possible improvements, as well as to discuss

international standards for fight against corruption and introduction of the same in Latvia.

Participants of the Conference were: Prime Minister, Directors of the State Chancellery, State Audit Office, SRS, State Administration School and State Police, Prosecutor General, representatives of the Criminal Matters Chamber of the Supreme Court and Riga District Courts, Chairperson of Saeima Commission for Defence, Interior and Corruption Prevention, representatives of the Ombudsman Bureau, University of Latvia, Institute of Economics of the Latvian Academy of Science, Centre for Public Policy "Providus" and Transparency International "Delna", as well as international experts from the UN, European Commission, Austria, Great Britain, Lithuania and Poland.

Two panel discussions were organised during the Conference: about the trends and future challenges in corruption prevention and combating, and strengthening of good management.

In 2007, employees of the Bureau continued improving of their knowledge and sharing of their experience in various international seminars, conferences and training programmes, including a seminar about matters of combating organised by OLAF and the Criminal Police of Germany, conference organised by the Central Asia – Caucasus Institute of Uppsala University in Sweden "Accession of the Baltic States to Schengen: Challenges and Opportunities", the 1st international anti-corruption summer school "Practice Meets Science" organised by the Ministry of Interior of Austria, the 8th International Conference "Fight against Corruption: International Exchange of Ideas and Experience, and Strengthening of Collaboration".

In collaboration with the US and the OECD, representatives of the Bureau, as experts, provided their assistance to their colleagues in **Ukraine** in the field of anti-corruption policy and development income declarations of public officials. In December 2007, a representative of the Bureau participated as an expert in round-table discussion organised by the UN development programme: "Introduction and Ratification of the UN Anti-corruption Convention" in Dushanbe, **Tajikistan**. The representative of the Bureau introduced his colleagues in Tajikistan with the experience of Latvia in introduction of the UN Anti-corruption Convention, as well as informed about the operation and main priorities of the Bureau.

In 2007, the Bureau was visited by representatives of the **customs of Montenegro** for exchange of experience. During the visit, colleagues from Montenegro had special interest in the process of forming the Bureau, its functions, experience in corruption combating, as well as implemented educational events and social advertisement campaigns.

By implementing the **Anti-corruption Convention of the United Nations Organisation (UN)**, the Bureau as the co-ordinating institution in Latvia, successfully prepared and provided answers in the self-evaluation questionnaire about introduction of the UN Anti-Corruption Convention.

Representatives of the Bureau are also involved in three working parties of the UN and have attended their meetings. The meeting of the Working Party for international collaboration in provision of technical aid for introduction of the UN Anti-corruption Convention was held in May 2007 in Montevideo, Uruguay. The representative of the Bureau participated in discussions about possibilities to provide assistance to other countries in order to promote introduction of the requirements of the convention and to share the good practice. The representative of the Bureau provided information about the experience of the Bureau in receiving and provision of assistance to other countries, and participated in discussion about the efficiency of such started measures. In August in Vienna, representatives of the Bureau and the General Prosecutor Office of the Republic of Latvia participated in two other working parties: about the mechanism of money laundering and development of mechanisms for evaluation of the implementation of the UN convention.

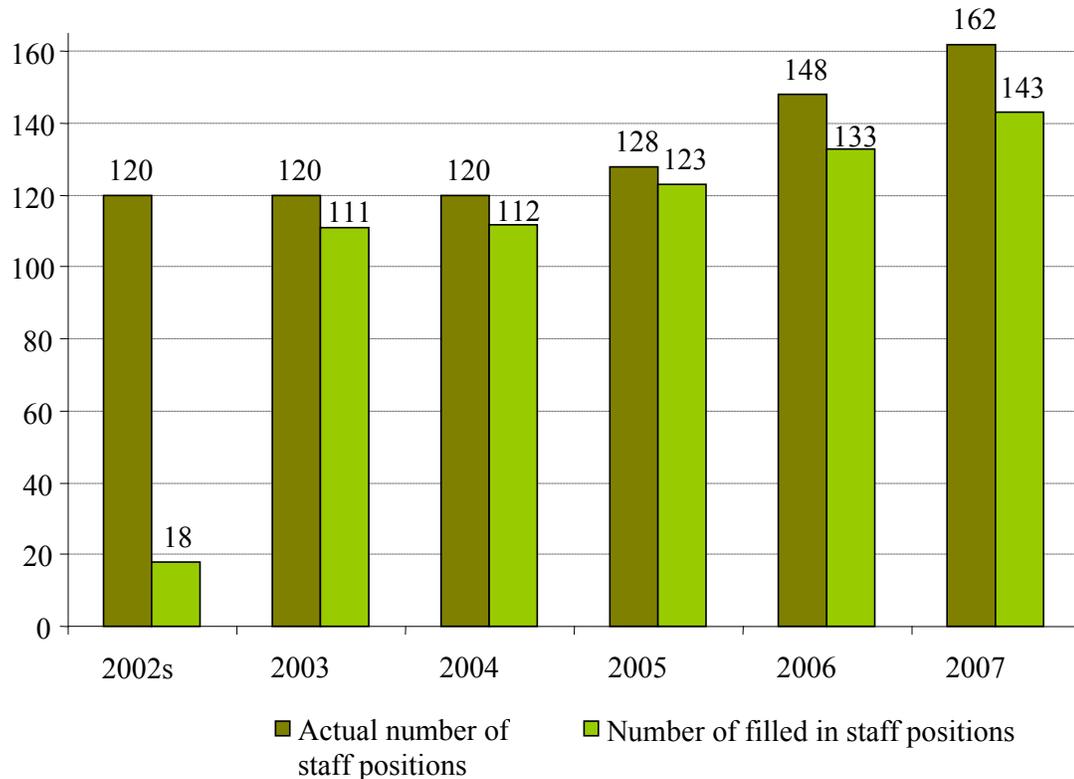
In order to promote co-operation of the Member States of the European Union (henceforth – the EU), a representative of the Bureau participated in a round-table meeting of the Anti-Fraud Co-ordination Service (AFCOS) in October 2007 in Ljubljana, Slovenia. Representatives of the new EU Member States, as well as Turkey, the Former Yugoslav Republic of Macedonia participated in the meeting.

In the reporting period, representatives of the Bureau continued their participation in the working party of the **Council of the States of the Baltic Sea Region** regarding forming of democratic institutions by assisting in development of a questionnaire about good practice in establishing of internal anti-corruption systems in institutions in the Baltic Sea Region countries.

The Bureau staff

At the beginning of 2007, the Bureau staff consisted of 133 employees (112 officials and 21 employees), at the end of the year – **143** employees (124 officials and 19 employees). In total, there were 162 staff positions in the Bureau in 2007.

Chart 19. Dynamics in the number of staff positions in 2002 – 2007



In 2007, **13** officials were appointed and **4** employees were recruited in the Bureau, 5 officials and 2 employees left the Bureau. At the end of the reporting period, there were 20 vacancies in the Bureau.

The Bureau staff turnover ratio¹ in 2007 was 0.17. Staff renewal ratio² was 0.12.

At the end of 2007, there were 60 male (42%) and 83 female (58%) employees in the Bureau. Average age of employees: 35 years.

Changes in the structure of the Bureau in 2007

From 1 January 2007, additional 14 vacancies were formed in the Bureau, totally **162** staff positions. The Financial Auditing Division was formed with 5 positions: 1 head of the Division, 4 senior specialists; in the Operational Division (intelligence analysis group): 5 positions of senior specialists; in the

¹ Number of hired + number of dismissed / average number of employees

² Number of hired / average number of employees

Division of Control of Financing of Political Organisations: a position of a Deputy Head of the Division and 1 position of a senior specialist; in the IT Division: 1 position of a senior specialist, in the Operational Division: 1 position of a senior specialist.

From 1 August 2007, the title of the Division of Corruption Analysis and Counteraction Methodology Development was changed according to its functions, and its current title is the Division of Corruption Analysis and Policy Planning.

From 10 September 2007, positions of a Deputy Head were formed in the Public Relations and Education Division, the Operational Division and the Personnel Division.

From 8 November 2007, the position of a specialist of the Protection of Classified Information Division was transformed into a position of a senior specialist. The main duties of this position shall be related to monitoring the security of information systems.

Improvement of the Employees' Education and Qualification

By the end of 2007, the staff of the Bureau consisted of 124 (86.7%) employees with higher education, 19 (13.3%) employees with secondary or special secondary education, 8 (5.5%) employees were continuing their studies at a higher educational establishment. 80 employees of the Bureau have acquired the professional higher education or a Bachelor's degree, 43 have acquired the Master's degree and 1 – the Doctor's degree.

In 2007, several employees of the Bureau continued their studies in higher education institutions, mainly in the Master's programme in law. The management of the Bureau supports studies of its employees and, in accordance with the provisions of the Law on the Corruption Prevention and Combating Bureau, employees of the Bureau can be covered one half of their annual tuition fee. In 2007, 14 employees of the Bureau received financing of one half of their tuition fee in the amount of LVL 4,924.25.

Chart 20. Distribution of the Bureau staff by position as of 31 December 2007

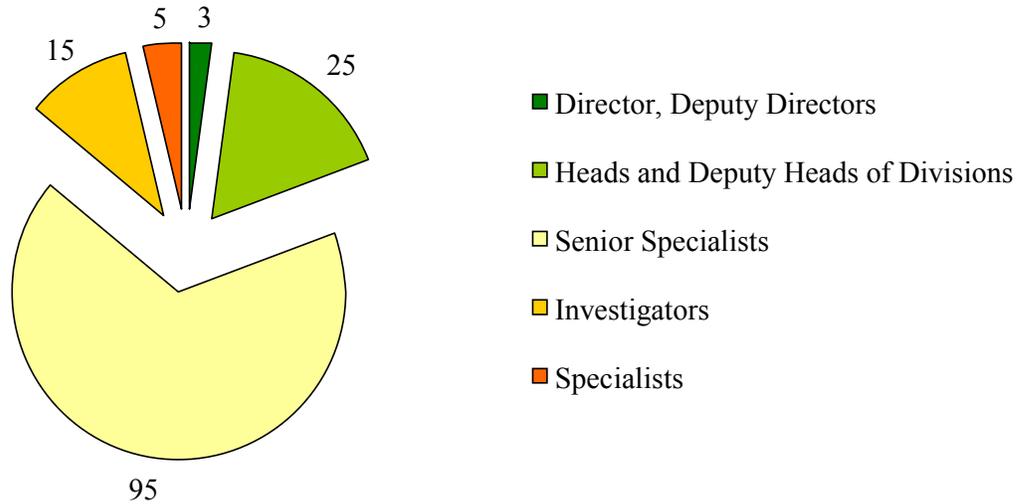


Table 4. Staff distribution by fields of education

	<i>Number of employees</i>	<i>%</i>
Number of employees with higher education	124	86.7
incl. officials	119	83.2
incl. employees	5	3.5
Distribution of employees by education levels		
Doctor's degree	1	0.7
Master's degree	43	30.1
Bachelor's degree and professional higher education	80	55.9
Secondary, special secondary education	19	13.3
Areas of education*		
Law	65	52.4
Economics and management sciences	30	24.2
Political science and sociology	5	4.1
Communication (journalism, public relations)	1	0,8
Other	23	18,5

* According to the first obtained higher education

In 2007, employees of the Bureau used opportunity to attend courses offered by training firms for improvement of their qualification, they participated in trainings, seminars, courses, conferences organised within the framework of international cooperation projects both in Latvia and abroad.

Improvement of their qualification was related to improving of their knowledge and skills in law (organisation of public procurements, administrative process) – 56 employees, finance and accounting – 5 employees, IT – 4 employees, public relations and communication – 21 employees,

management– 27 employees, quality management – 2 employees, internal audit – 2 employees, foreign languages: English – 7 employees, French – 1 employee

Courses, seminars and conferences were paid for employees of the Bureau to improve their qualification in 2007 in amount of LVL 19,221.92, including for foreign languages.

The plan for 2008 is to develop a personnel development strategy of the Bureau for 2008 – 2010 where the current situation will be analysed and the areas of future development in human resource management will be provided.

Budget Information

State Budget Allocation and Expenditure in 2007

(in lats)

No.	Financial resources	Previous (actual spending)	In the reporting year	
			Approved by law	Actual spending
1.	Financial resources for covering of expenses (total)	3 165 776	3 580 670	3 580 670
1.1.	subsidies	2 623 616	3 558 421	3 558 421
1.2.	paid services and other own proceeds	-	-	-
1.3.	foreign financial aid	542 160	22 249	22 249
2.	Expenses (total)	3 160 224	3 560 524	3 482 647
2.1.	maintenance expenses (total)	2 540 876	3 450 995	3 373 118
2.1.1.	subsidies and endowments, including payments to international organisations	4 519	4 742	4 741
2.1.2.	other maintenance expenses	2 536 357	3 446 253	3 368 377
2.2.	expenses for capital investments	619 348	109 529	109 529

In accordance with the Law “On State Budget for 2007”, 3’580,670 were allocated to the Bureau from which 3, 483 thousand lats or 97.3% were utilised. Balance of funds: 98 thousand lats or 2.7 %, in accordance with Clause 4 of the Cabinet of Ministers Regulation No.232 "Procedure for Granting, Use and Monitoring of Appropriation Envisaged in Budget Programme 02.00.00 "Provision of Investigation Activities” of the Corruption Prevention and Combating Bureau” of 3 April 2007, was repaid to the state budget at the end of the year.

Execution of total expenditure of the Budget in 2007 is 3,483 000 lats, and comparing to the previous year, the amount of expenditure has increased by approximately 323 000 lats or 10%. It is related to increased expenditures for salaries, allowances and payment for services.

In 2007 and within the framework of priority activities, social advertisement campaign was organised, the Analytic Group within the Operational Division was formed and the Financial Auditing Division was

established. Lotus Notes and Microsoft software licences have been purchased. Improvement of the integrated information system and the local database of the Bureau have been completed as scheduled.

Results of Projects Financed by Foreign and International Institutions and Application of Funds

In 2007, the Bureau successfully implemented technical aid project “Strengthening of Investigatory Capabilities of the Corruption Prevention and Combating Bureau” within the framework of Hercule programme of the European Anti-Fraud Office (OLAF), which provides an opportunity for law enforcement institutions of the EU Member States to purchase special investigation equipment envisaged for detection of such criminal offences like corruption and fraud. Funding in the amount of EUR 32,000 has been granted to the Bureau for implementation of the OLAF project. Within the framework of the said project, the Bureau acquired special investigation equipment, which will facilitate the fulfilment of the Bureau’s functions for corruption combating considerably in the future and will increase the Bureau’s capacities in successful implementation of intelligence activities and investigation of criminal offences related to corruption.

In the reporting period, the Bureau, in collaboration with the Italian High Commissariat for Prevention and Combating of Corruption and Other Illegal Activities in State Administration and the Ministry of Interior of Austria submitted a proposal to the European Commission, within the framework of “Crime Prevention and Combating” programme for receiving of financing for project “Fight Against Corruption in Europe”. Within the framework of project, it is envisaged to develop a methodology and software for analysis of corruption.

In the reporting period and within the framework of European Commission “Crime Prevention and Combating” programme, the Bureau, in collaboration with the Ministry of Interior of Austria, Special Investigation Service (STT) of Lithuania and the Anti-corruption Commission of Slovenia, submitted a project application for the 2nd International Anti-Corruption Summer School “Practice Meets Science”.

In 2007, work was completed for implementation of project financed by the World Bank: “Strengthening of Institutions Involved in Corruption Combating”. Two last assignments were fulfilled: “Guidelines about the main conditions of legal regulation for prevention of conflict of interests in activities of public officials for civil servants, police officers, heads of state and local government institutions, members of the board of state and local government enterprises, as well as public officials in seaports” were prepared, and report “Corruption risks and availability of information in acquisition of the EU Cohesion Fund in Latvia” was drafted by Centre for Public Policy “Providus”.

Improvement of Internal Control System's Efficiency

In order to ensure efficient and purposeful activity of institutions, internal control systems are established, maintained and supervised. For assessment of activity of these systems, internal audit is introduced in the state administration, the basic operation principles of which are specified in the Internal Audit Law. In accordance with this Law and the Prime Minister Order No. 223 of 15 May 2003 "Amendments to the Order of the Prime Minister No. 57 of 11 February 2003 "On Internal Audit System in Institutions Directly Subordinated to Prime Minister"", Paragraph 2, the Internal Audit Division has been established in the Bureau with the purpose to carry out the audit in institution.

In accordance with strategic and annual schedules elaborated by the Internal Audit Division, the following systems of the Bureau were audited in the reporting period: General Administration and Management, Financial Management, Staff Management, Provision of Operation, Information Technologies, and specific systems of the Bureau.

Table 5. Systems audited by the Internal Audit Division in 2007

<i>No.</i>	<i>Audited system</i>	<i>Number of internal audits</i>
1.	General administration and management	1
2.	Financial management	1
3.	Staff management	1
4.	Provision of operation	1
5.	Information technology	1
6.	Specific systems of the Bureau	1
Total internal audits:		6

Based on the obtained information, one can conclude that in general the internal audit system in the Bureau has been created, is maintained and improved, though at certain stages the internal control procedures may be improved more.

Inadequacies established during the audit are eliminated according to recommendations of the audit for improvement of the internal control system, which are approved by the Director of the Bureau.

15 recommendations have been given in 2007, of which 3 were of high importance, 10 – of middle and 2 – of low importance. Recommendations elaborated in the course of audits for improvement of internal control procedures are co-ordinated with heads of the audited systems and with the Bureau's management.

In the reporting year, the Internal Audit Division has provided consultations on problems of the internal control system.

The Internal Audit Division has carried out six audits in accordance with the schedule for 2007. Reports on the performed audits were submitted and they included the most important recommendations, as well as they specified deadlines for implementation of these recommendations and indicated respective responsible persons. In the course of internal audits carried out in various systems of the Bureau, the following most essential recommendations have been made:

- system “General administration and management”:
 - Consider a possibility of forming a strategic management working group for development of the Bureau’s operation strategy;
- system “Staff management”:
 - Evaluate the needs of professional orientation and improvement of qualification in the Bureau and review possibilities of organising training and exchange of experience on national or international level.

In accordance with the schedule for 2008 of the Internal Audit, performing of audits has been envisaged in the following systems: General administration and management, Provision of operation, Information technologies and specific systems of the Bureau.