

Regulations Regarding the Internal Control System in Institutions of Direct Administration

*Issued pursuant to
Section 17, Paragraph six of
the State Administration Structure Law*

1. This Regulation prescribes the principal requirements for an internal control system and the procedures for establishing, supervising and improving it in institutions of direct administration (hereinafter – institution).

2. The principal requirements for the operation of an internal control system shall be as follows:

2.1. efficient, useful and economical operation of an institution according to its competence, set objectives, tasks and available resources;

2.2. operation of an institution in the interests of the public by ensuring good governance;

2.3. operation of an institution in accordance with the competence laid down in laws and regulations;

2.4. prevention of potential risks of corruption and conflicts of interest;

2.5. prevention of wasting or inefficient and useless use of property and funds;

2.6. timely identification and elimination of mistakes made and performance of the necessary improvements;

2.7. obtaining of timely and credible financial or management information and protection against unauthorised disclosure of information.

3. In order to ensure conformity with the principal requirements referred to in Paragraph 2 of this Regulation, the establishment, supervision and improvement of an internal control system shall be performed by providing for a set of the necessary risk management, supervision, control and administration measures.

4. An internal control system shall consist of the following interrelated elements:

4.1. planning of operation of an institution;

4.2. establishment of a control environment;

4.3. identification, analysis and evaluation of risks;

4.4. implementation of control measures;

4.5. ensuring of information and communication;

4.6. supervision.

5. For planning of operation of an institution:

5.1. the objectives and values of the institution shall be determined;

5.2. the management documents of the institution shall be approved;

5.3. the operational results to be achieved shall be determined;

5.4. the objectives and tasks shall be determined for officials and employees (hereinafter – employees) according to the management documents of the institution.

6. For establishment of a control environment:

6.1. an institutional structure corresponding to the objectives and activities of the institution shall be determined;

6.2. rules of procedure of units and job descriptions of employees shall be approved (the referred-to documents are regularly reviewed and updated if necessary);

6.3. internal regulations of the institution shall provide for logical, clear and easily controllable delegation of actions and responsibility, ensuring efficient taking of decisions;

6.4. human resource management policy of the institution shall be approved and introduced, which ensures appropriate personnel for achieving the objectives of the institution;

6.5. internal rules of procedure shall be approved;

6.6. ethics requirements of the institution shall be approved, which are binding to the management and employees of the institution and govern their conduct and actions in decision-making.

7. For identification, analysis and evaluation of risks (the possibility that any event will have a negative effect on achieving the objectives of the institution):

7.1. internal and external risks shall be identified, which may interfere with achieving the objectives of the institution;

7.2. probability or risk (risk size) and its effect on achieving the objectives shall be evaluated;

7.3. acceptable risk level of an institution shall be identified, classifying it on a scale from significant to insignificant.

8. For implementation of control measures:

8.1. the procedures for delegating authority, checking, co-ordinating and approving administrative decisions shall be determined and introduced;

8.2. protection of the material and financial resources shall be ensured;

8.3. the procedures for separating responsibilities and preventing corruption and conflicts of interest shall be determined and implemented;

8.4. a system (procedure) shall be established for reporting on the results achieved according to management documents of an institution;

8.5. regular assessment of work performance of employees shall be performed;

8.6. key processes and areas where uniform actions are required in identical situations shall be determined and regularly reviewed, and internal procedures for implementation thereof shall be determined;

8.7. risk management measures shall be implemented to reduce the key risks of an institution and ensure achieving the objectives of the institution;

8.8. the procedures drawn up and introduced shall ensure that accounting and other information is true, comparable, timely, relevant, understandable and complete;

8.9. other control measures shall be performed to ensure efficient and useful use of financial resources and other resources in accordance with the principles of good governance.

9. For ensuring of information and communication:

9.1. employees of an institution shall be informed regarding the objective of the institution, the management documents, the internal regulations and the ethics principles;

9.2. an internal system for circulation of information and communication shall ensure the information necessary for all levels of management and employees, so that tasks may be performed efficiently and the objectives of the institution are achieved;

9.3. if necessary, procedures shall be drawn up to provide information to the public and ensure participation of representatives of the public;

9.4. a system for circulation and storage of documents shall be created to ensure adequate, up-to-date, accurate and accessible information at an institution;

9.5. a security policy shall be drawn up for information systems, and employees shall be made familiar with it.

10. Supervision of an internal control system shall be implemented as:

10.1. periodic evaluation of internal controls performed by internal audit;

10.2. regular checks on operation of controls;

10.3. elements of continuous supervision integrated in information systems;

10.4. analysis of such reports or indicators of operation of an institution which identify deficiencies of internal control, and elimination of deficiencies;

10.5. self-evaluations of the environment and efficiency of supervision functions of an institution;

10.6. evaluations of the results of internal and external audits;

10.7. evaluations of the quality of the internal audit unit if such unit has been established in an institution.

11. The head of an institution shall be responsible for the establishment, supervision and improvement of an internal control system by ensuring continuous, economical, efficient and useful operation of the institution in accordance with the principles of public administration laid down in the State Administration Structure Law and the requirements of laws and regulations.

12. When making a decision to create and improve an internal control system, the head of an institution:

12.1. shall avoid laying down of formal and obstructive requirements, as well as of requirements the costs of introduction of which exceed the financial benefits and other benefits from them;

12.2. may determine other additional elements of the internal control system according to the specific nature of the particular sector.

13. The head of an institution shall ensure regular supervision of the internal control system in accordance with the measures referred to in Paragraph 10 of this Regulation, and shall eliminate any deficiencies discovered in the supervision process.

14. Institutions that are subordinated to a ministry may use in their operation the internal regulations of the ministry concerned. The Cross-Sectoral Co-ordination Centre may use in its operation the internal regulations of another institution on the basis of a mutual agreement.

15. This Regulation shall come into force on 1 July 2012.

Prime Minister

V. Dombrovskis

Acting for the Minister for Finance,
Minister for Welfare,

I. Viņķele