



THE STATE AUDIT OFFICE
The Fourth Audit Department

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INFORMATIVE REPORT

Riga

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No 2.4.1-14/2014

**Compliance of municipal waste management system
with the intended objectives and regulatory enactments**

Legal justification of the audit

1. Pursuant to Article 2 of the State Audit Office Law and the audit engagement No 2.4.1-14/2014 of 06.05.2014 of the Fourth Audit Department of the State Audit Office, a performance audit was performed on the *Compliance of municipal waste management system with the intended objectives and regulatory enactments*.
2. The audit was performed by the Senior State Auditor Jānis Salenieks (Head of the Audit Team), Senior State Auditor Kristīne Loča and State Auditors Iveta Mansura-Garsija, Olga Loginova and Zane Reizniece.

Aim of the audit

3. The aim of the audit is to obtain assurance as to whether the municipal waste management system is compliant with the intended goals and regulatory enactments.

Scope of the audit

4. The audit was performed in accordance with the international standards on auditing which are recognised in the Republic of Latvia.
5. In order to obtain assurance as to the compliance of municipal waste management system with intended goals and regulatory enactments, the audit was performed in:
 - 5.1. The Ministry of Environmental Protection and Regional Development, which coordinates execution of State waste management plan and prepares draft regulations on waste management¹;
 - 5.2. State Environment Service, which licences the waste management companies and periodically reviews their activities²;
 - 5.3. In eight selected local governments, included in the audit sample, which are responsible for municipal waste management within their administrative territories³ by selecting waste management companies which ensure collection, transport and storage of municipal waste⁴;
 - 5.4. In three selected providers of municipal waste burial services (hereinafter: waste landfill site management companies), which calculate draft tariffs for burial of municipal waste⁵.
6. In order to review whether the local governments included in the audit sample have ensured supervision over operations of the selected waste management companies, during the audit information was also obtained on these companies.
7. At the result of the audit 12 audit reports were issued along with this informative report. Audit reports were issued to:
 - 7.1. The Ministry of Environmental Protection and Regional Development (hereinafter: VARAM);
 - 7.2. Eight local governments — Aizkraukle Rural Municipality, Cesvaine Rural Municipality, Jelgava Municipal Authority, Kuldīga Rural Municipality, Lubāna Rural Municipality, Nereta Rural Municipality, Preiļi Rural Municipality and Vārkava Rural Municipality;

¹ Paragraph 1 and 2 of Part One of Article 7 of the Waste Management Law.

² Part One of Article 12 and Part one of Article 14 of the Waste Management Law.

³ Paragraph 1 of Part One of Article 8 of the Waste Management Law.

⁴ Part One of Article 18 of the Waste Management Law.

⁵ Paragraph 1 of the Decision No 1/1 of 09.03.2011 of the Council of the Public Utilities Commission on the "Methodology for calculation of tariff for municipal waste burial services".

- 7.3. Three waste landfill site management companies — SIA „Ventspils labiekārtošanas kombināts” (Reg. No 41203001052), SIA „Vidusdaugavas SPAAO” (Reg. No 55403015551) and SIA „ZAAO” (Reg. No 44103015509).
8. The aim of audit procedures in local governments was to obtain assurance as to whether the local governments:
- 8.1. Have ensured that only justified costs are included in the waste management fee;
 - 8.2. Have ensured compliance with environment protection requirements (including separate collection of waste).
9. The aim of audit procedures in waste landfill site management companies was to obtain assurance as to whether the waste landfill site management companies:
- 9.1. Have ensured that the tariff for burial of municipal waste in landfill sites and the natural resources tax for burial of waste is applied only to the amount of waste buried in waste landfill sites;
 - 9.2. Which provide waste management services to local governments, have ensured application of appropriate weight-to-volume ratio during calculation of waste management fee.
10. Recalculation ratio applied by waste management companies for recalculation of the amount of waste from tons to cubic metres was reviewed during the audit in respect to following audit sample:
- 10.1. Nine local governments, since during the audit period the waste management company of Jelgava city SIA „Jelgavas komunālie pakalpojumi” provided waste management services also to Jelgava Rural Municipality and Ozolnieki Rural Municipality;
 - 10.2. Two waste landfill site management companies⁶, which were providing waste management services simultaneously in 25 local governments.
- This matter was reviewed totally in 34 local governments.
11. Justification of the applied landfill site tariffs and the natural resources tax for burial of waste was reviewed in respect to the following waste sorting line management companies:
- 11.1. SIA „Jelgavas komunālie pakalpojumi” which provides sorting of waste generated within territory of three local governments;
 - 11.2. SIA „Ventspils labiekārtošanas kombināts” which provides sorting of waste generated within territory of four local governments;
 - 11.3. SIA „Vidusdaugavas SPAAO” which provides sorting of waste generated within territory of 15 local governments;
 - 11.4. SIA „ZAAO” which provides sorting of waste generated within territory of 22 local governments.
- This matter was reviewed totally in 44 local governments.
12. During the audit following matters were not reviewed:
- 12.1. Activities of VARAM in respect to execution of the State Waste Management Plan, since the document⁷ was approved in 2013 and the first reports on execution are expected to be prepared not earlier than on 01.07.2016;

⁶ SIA „Ventspils labiekārtošanas kombināts” and SIA „ZAAO”.

- 12.2. Management of packaging as a separate type of waste, since mandatory deposit system for recyclable and single-use packaging for beverage drinks is planned to be introduced as of 01.01.2015⁸;
- 12.3. Justification and regulatory compliance⁹ of involvement of local government capital companies in business operations, as well as the possible deformation of competition in the sector of waste management due to absence of uniform and consistent court practice in respect to application of the *in-house* principle in selecting waste management companies;
- 12.4. The activities of the public utilities regulator in respect to approving tariffs for burial of municipal waste in landfill sites¹⁰;
- 12.5. Accuracy of calculation of municipal waste management fee for residential houses according to the regulatory enactment¹¹, if owners of apartments have not mutually agreed on other procedure of calculation.
13. During the audit local governments were surveyed about the procedure of establishment of waste management fee in respective local governments. Answers were provided by 97% of the surveyed local governments.
14. The audit covered the time period from 01.01.2012 up to 30.06.2014.
15. Since during the audit period the currency of the Republic of Latvia — the Lat, was changed to Euro, all numerical values in the Audit Report are expressed in Euro based on the exchange rate of 1 Euro = 0.702804 Lats.

Responsibility of the State Audit Office

16. The auditors of the State Audit Office are responsible for issuance of audit report based on appropriate, sufficient and reliable audit evidence gathered during the audit.

Responsibility of the audited entities

17. VARAM, the local governments and the waste landfill site management companies are responsible for ensuring compliance with regulatory enactments and truthfulness of information provided to the auditors.

Short description of the audited field

18. The process of waste management in Latvia is governed by the Waste Management Law and respective Cabinet of Ministers regulations.
19. The process of waste management must not cause any threats to lives and health of people. The process of waste management must not leave any negative impact on environment¹².

The role of the Ministry of Environmental Protection and Regional Development in respect to management of municipal waste

20. VARAM is responsible for:

20.1. Execution of State waste management plan;

⁷ The State Waste Management Plan 2013–2020 (approved by the Order No 100 of 21.03.2013 of the Cabinet of Ministers (hereinafter: CM)).

⁸ Page 20–21 of the State Waste Management Plan 2013–2020 (approved by the CM Order No 100 of 21.03.2013); the Concept of application of deposit system for packaging of beverage drinks (approved by the CM Order No 195 of 17.05.2013)

⁹ Part One of Article 88 of the “State Administration Law”.

¹⁰ Article 40 of the Waste Management Law.

¹¹ Sub-paragraph 17.4 of the CM Regulations No 1013 of 09.12.2008 on the “Order of payment for services related to the use of residential space by the owner of apartment”.

¹² Article 4 of the Waste Management Law.

- 20.2. Drafting of regulatory enactments on waste management;
- 20.3. Coordination of development of municipal waste landfill sites¹³.
- 21. Following objectives are set in the State Waste Management Plan 2013–2020¹⁴:
 - 21.1. Prevention of generation of waste and ensuring considerable decrease of the total amount of generated waste;
 - 21.2. Ensuring rational use of waste as a resource;
 - 21.3. Ensuring that the generated waste is not hazardous, is returned in an environmentally useful form, and is recycled as close as possible to the place where it was generated;
 - 21.4. Ensuring reduction of the amount of buried waste¹⁵.

The role of local governments in respect to management of municipal waste

- 22. One of the tasks of local government is to organise management of municipal waste within its administrative territory in accordance with the binding regulations of local government on municipal waste management¹⁶.
- 23. Local government establishes municipal waste management fee¹⁷, based on calculation¹⁸ submitted by municipal waste management company, and issues respective binding regulations.
- 24. Local government selects waste management company according to one of the following scenarios:
 - 24.1. By performing public procurement or following the procedure of public and private partnership¹⁹;
 - 24.2. By delegating this task to local government capital company, based on the exemption for application of public procurement procedure, as stipulated by the law²⁰.

Local government the selected waste management company conclude a contract for collection of municipal waste, including separated collection, transport, handling and storage of waste in the respective administrative territory²¹.

Meanwhile, the municipal waste management company selected by the local government concludes municipal waste management contracts with waste holders within the administrative territory of the local government²².

A waste holder is any natural persona (inhabitant) or legal person, whose activities generate waste²³.

The role of waste landfill site management companies in respect to management of municipal waste

- 25. In Latvia there are ten waste management regions²⁴ in order to ensure appropriate infrastructure of waste burial (see Appendix 1).

¹³ Part One of Article 7 of the Waste Management Law.

¹⁴ The CM Order No 100 of 21.03.2013 on the “State waste management plan 2013–2020”.

¹⁵ Summary of the State Waste Management Plan 2013–2020 (approved by CM Order No 100 of 21.03.2013).

¹⁶ Paragraph 1 of Part One of Article 8 of the Waste Management Law.

¹⁷ Part One of Article 39 of the Waste Management Law.

¹⁸ Part Five of Article 18 of the Waste Management Law.

¹⁹ Part One of Article 18 of the Waste Management Law.

²⁰ Paragraph 7 of Part One of Article 3 of the Law on Public Procurement.

²¹ Part One and Part Six of Article 18 of the Waste Management Law.

²² Part Three of Article 16 of the Waste Management Law.

²³ Paragraph Six of Article 1 of the Waste Management Law.

A waste management region is a part of state administrative territory and the municipal waste generated in this region is buried at the municipal waste landfill site of the region²⁵.

26. Waste generated within administrative territories of local governments included in the respective waste management region is buried only in municipal waste landfill site of the respective waste management region²⁶.

A waste landfill site is a site for burial of waste, which is specially arranged and equipped in order to implementation environment protection measures stipulated in regulatory enactments²⁷. In Latvia there are 11 municipal waste landfill sites (see Appendix 1) managed by ten inter-municipal companies²⁸.

27. Figure 1 reflects the amount of waste in Latvia generated and buried in landfill sites.

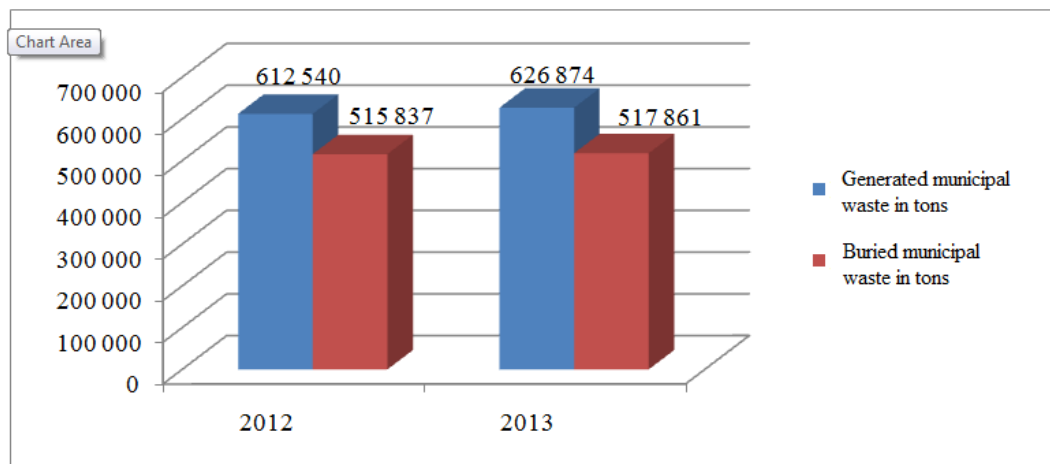


Figure 1. *The amount of waste in Latvia generated and buried in landfill sites*²⁹

28. In average 83% of the generated municipal waste and similar waste is buried in landfill sites.
29. Waste landfill site management companies may provide waste management services also to local governments subject to receipt of respective authorisation.

Summary of audit findings and conclusions

According to the audit findings, during the time period 01.01.2012–30.06.2014 44 local governments have levied unjustified waste management fee in the amount of EUR 3 647 341 from waste holders, including residents (see Appendix 2).

This overpayment is due to the fact that waste management companies have applied calculation methodology, which does not correspond to the actual situation, and unjustified levying of natural resources tax for burial of waste, which in fact was not

²⁴ Paragraph 3 of the CM Regulations No 337 of 25.06.2013 on the “Provisions on the waste management regions”.

²⁵ Paragraph 2 of the CM Regulations No 337 of 25.06.2013 on the “Provisions on the waste management regions”.

²⁶ Part One of Article 21 of the Waste Management Law.

²⁷ Paragraph 10 of Article 1 of the Waste Management Law.

²⁸ Page 15 of the State Waste Management Plan 2013–2020 (approved by CM Order No 100 of 21.03.2013).

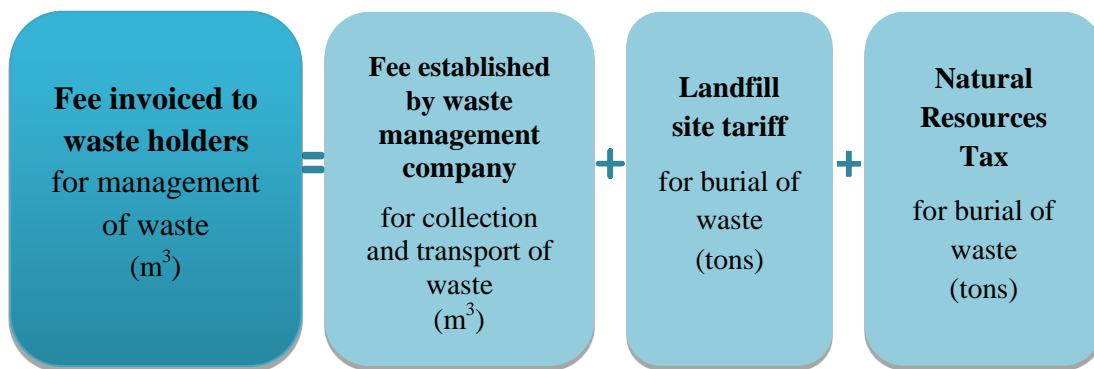
²⁹ Summary of the State statistical report “No 3 — Waste. Overview of waste.” for the year 2012, prepared by public limited company „Latvijas Vides, ģeoloģijas un meteoroloģijas centrs”. Available at: <http://www.meteo.lv/lapas/vide/atkritumi/atkritumu-statistikas-apkopojumi/atkritumu-statistikas-apkopojumi?id=1713&nid=380> [viewed on 20.06.2014];

Auditors' calculations, based on the reports for the year 2013 submitted by waste management companies “No 3 — Waste. Overview of waste.”. Available at: http://parissrv.lv/gmc.lv/public_reports.

I

Due to application of inappropriate methodology for recalculation from volume units to weight units, during the time period 01.01.2012–30.06.2014 waste holders, including residents, of 25 local governments have overpaid EUR 2 076 380 for burial of actually non-existent waste.

30. In order to collect the waste management fee from waste holders, including residents, waste management companies are issuing invoices.
31. The waste management fee included in invoices consists of three components and is expressed in different units — cubic metres or tons.



32. In order to issue invoices to waste holders and establish the total fee per cubic metre, **waste management companies recalculate the volume of waste from tons to cubic metres.**
33. In order to recalculate from tons to cubic metres waste management companies:
- 33.1. Use volume-to-weight recalculation ratios³⁰ included in the *Handbook on application of factors for registration of municipal waste when performing recalculation from volume units to weight units* (hereinafter: the methodology) (2002) according to which a ratio of 0.2 is applied to mixed non-presses municipal waste, thus assuming that one cubic metre of waste corresponds to 200 kilograms of waste³¹;
- 33.2. Apply the ratio, which is established based on measurements and observations from the previous experience, i.e. the weight of one cubic metre of waste in the respective territory during the previous period.
34. According to the results of the review of the ratio for recalculation from tons to cubic metres of waste applied by waste management companies in 34 local governments:
- 34.1. In nine³² local governments waste management companies are applying re-calculation ratios, established based on measurements, ranging from 0.133 to 0.18, thus assuming that one cubic metre of waste weighs from 133 to 180 kilograms;
- 34.2. In 25 local governments³³ waste management companies are automatically applying the ratio 0.2 to mixed non-pressed municipal waste as established in the

³⁰ Paragraph 5 of Appendix 5 of the CM Regulations No 1075 of 22.12.2008 on the “Provisions on forms of State environment protection statistics reports”.

³¹ Table 6 of the Handbook on application of factors for registration of municipal waste when performing recalculation from volume units to weight units (Latvijas Vides aģentūra, 2002).

³² Kuldīga Rural Municipality, Aizkraukle Rural Municipality, Nereta Rural Municipality, Lubāna Rural Municipality, Preiļi Rural Municipality, Vārkava Rural Municipality, Ventspils Municipal Authority, Ventspils Rural Municipality and Alsunga Rural Municipality.

methodology³⁴, thus assuming that one cubic metre of waste weighs 200 kilograms (see Table 1).

35. In order to determine the actual weight of one cubic metre of waste in the territory managed by a certain waste management company, during the audit the data were recalculated.

During recalculation the number of cubic metres of waste as indicated in invoices issued by waste management companies was compared with the weight of waste handed over at landfill sites. According to the results of recalculation, residents of territories where waste management companies are automatically applying the standard recalculation ratio 0.2 (assuming the one cubic metre of waste weighs 200 kilograms) in fact generate less waste and therefore are paying for management of non-existent waste.

Table 1 includes summary of volume-to-weight ratios applied by waste management companies and actual³⁵ ratios as calculated by auditors, per local governments.

Table 1.

Volume-to-weight ratios for municipal waste

No	Local government	Ratio applied by waste management company		Actual ratio calculated by auditors, based on data of waste landfill sites		Difference between the ratios calculated by waste management companies and auditors (kilograms per cubic metre)
		tons per cubic metre	kilograms per cubic metre	tons per cubic metre	kilograms per cubic metre	
1	2	3	$4 = 3 \times 1000$	5	$6 = 5 \times 1000$	$7 = 4 - 6$
1.	The city of Jelgava, Jelgava and Ozolnieki county ³⁶	0.20	200	0.13	130	70
2.	Kuldīga county ³⁷	0.18; 0.13; 0.12; 0.15 ³⁸	120–180	0.15	150	-30–30
3.	Aizkraukle county ³⁹	0.14	140	0.11	110	30
4.	Nereta county ³⁹	0.14	140	0.11	110	30
5.	Lubāna county ⁴⁰	0.14; 0.16 ⁴¹	140–160	0.14	140	0–20
6.	Preiļi county ⁴²	0.133	133	0.11	110	23
7.	Vārkava county ⁴²	0.133	133	0.11	110	23
8.	The city of Ventspils, Ventspils and Alsunga county ⁴³	0.18	180	0.13	130	50
9.	Local governments of Ziemeļvidzeme	0.20	200	0.12	120	80

³³ The city of Jelgava, Jelgava Rural Municipality and Ozolnieki Rural Municipality, as well as local governments of Ziemeļvidzeme waste management region (Valmiera Municipal Authority and Aloja, Amata, Beverīna, Burtņieki, Cēsis, Jaunpiebalga, Kocēni, Krimulda, Limbaži, Līgatne, Mazsalaca, Naukšēni, Pārgauja, Priekule, Rauna, Rūjiena, Salacgrīva, Smiltene, Strenči, Valka and Vecpiebalga Rural Municipality).

³⁴ Table 6 of the Handbook on application of factors for registration of municipal waste when performing recalculation from volume units to weight units (Latvijas Vides aģentūra, 2002).

³⁵ Comparison of the number of cubic metres of collected municipal waste as indicated in the issued invoices with the volume of waste handed over to waste landfill sites.

³⁶ During the audit period (01.01.2012–30.06.2014) the waste management company SIA „Jelgavas komunālie pakalpojumi” (Reg. No 43603022128) was providing services not only to the city of Jelgava, but also to Jelgava and Ozolnieki county.

³⁷ Waste management services are provided by SIA „Kuldīgas komunālie pakalpojumi” (Reg. No 56103000221).

³⁸ In different time periods different ratios were applied: 0.18 during the time period 01.01.2012–19.08.2012; 0.13 during the time period 20.08.2012–31.12.2013; 0.12 during the time period 01.01.2014–31.01.2014; 0.15 during the time period from 01.02.2014

³⁹ Waste management services are provided by SIA „Aizkraukles KUK” (Reg. No 48703000438).

⁴⁰ Waste management services are provided by SIA „ALBA” (Reg. No 44603000098).

⁴¹ The ratio 0.14 was applied to the landfill site tariff and the ratio 0.16 was applied to the natural resources tax

⁴² Waste management services are provided by SIA „Preiļu saimnieks” (Reg. No 47703001720).

⁴³ Waste management services are provided by SIA „Ventspils labiekārtošanas kombināts”.

No	Local government	Ratio applied by waste management company		Actual ratio calculated by auditors, based on data of waste landfill sites		Difference between the ratios calculated by waste management companies and auditors (kilograms per cubic metre)
		tons per cubic metre	kilograms per cubic metre	tons per cubic metre	kilograms per cubic metre	
	waste management region ⁴⁴					
		Average actual ratio		-	0.12	-

36. Therefore, the ratio of 0.2 applied by 25 local governments, as established in the methodology⁴⁵ (assuming that one cubic metre of waste weighs 200 kilograms), does not correspond to the actual situation.
37. Recalculation of the waste management fee was performed in local governments in which the established volume-to-weight ratio significantly deviated from the actual ratio (the city of Jelgava⁴⁶ and 22 local governments of Ziemeļvidzeme waste management region⁴⁷), since in these cases waste holders, including, residents, are paying unjustified waste management fees.
38. In order to recalculate the waste management fee, in the above mentioned local governments⁴⁸ the number of cubic metres of waste indicated in invoices issued by waste management companies was compared with the weight of waste handed over at landfill sites which was recalculated by auditors to cubic metres according to the ratio selected by the respective waste management companies.

According to the results of recalculation, the number of cubic metres of collected waste in those local governments was artificially increased and the total amount of overpayment for burial of actually non-existent waste in landfill sites by waste holders, including residents, of 25 local governments⁴⁹ during the time period 01.01.2012–30.06.2014 amounts to EUR 2 076 380, including:

38.1. The city of Jelgava, Jelgavas county and Ozolnieki county — EUR 491 018;

38.2. Ziemeļvidzeme waste management region — EUR 1 585 362.

39. The State Audit Office issued following recommendations:

39.1. Local governments and waste management companies to establish weight-to-volume recalculation ratios based on measurements which would correspond to the actual situation;

39.2. VARAM to improve regulatory enactments and stipulate use of weight-to-volume recalculation ratios based on measurements by the waste management companies.

⁴⁴ Waste management services are provided to the city of Valmiera and Aloja, Amata, Beverīna, Burtnieki, Cēsis, Jaunpiebalga, Kocēni, Krimulda, Limbaži, Līgatne, Mazsalaca, Naukšēni, Pārgauja, Priekuļi, Rauna, Rūjiena, Salacgrīva, Smiltene, Strenči, Valka and Vecpiebalga Rural Municipality are performed by SIA „ZAAO”.

⁴⁵ Table 6 of the Handbook on application of factors for registration of municipal waste when performing recalculation from volume units to weight units (Latvijas Vides aģentūra, 2002).

⁴⁶ During the audit period (01.01.2012–30.06.2014) the waste management company SIA „Jelgavas komunālie pakalpojumi” was providing services not only in the city of Jelgava, but also in Jelgava and Ozolnieki county.

⁴⁷ The city of Valmiera and Aloja, Amata, Beverīna, Burtnieki, Cēsis, Jaunpiebalga, Kocēni, Krimulda, Limbaži, Līgatne, Mazsalaca, Naukšēni, Pārgauja, Priekuļi, Rauna, Rūjiena, Salacgrīva, Smiltene, Strenči, Valka and Vecpiebalga Rural Municipality.

⁴⁸ Jelgava Municipal Authority, Jelgava Rural Municipality and Ozolnieki Rural Municipality, as well as local governments of Ziemeļvidzeme waste management regions.

⁴⁹ The city of Jelgava, Jelgava county and Ozolnieki county, as well as local governments of Ziemeļvidzeme waste management region (Valmiera Municipal Authority and Aloja, Amata, Beverīna, Burtnieki, Cēsis, Jaunpiebalga, Kocēni, Krimulda, Limbaži, Līgatne, Mazsalaca, Naukšēni, Pārgauja, Priekuļi, Rauna, Rūjiena, Salacgrīva, Smiltene, Strenči, Valka and Vecpiebalga county)..

II

Due to reduction of the amount of buried waste in landfill sites by installing waste sorting lines and continued levying of the same level of natural resources tax from waste holders, including residents, the total amount of overpayment by waste holders, including residents, of 44 local governments during the time period 01.01.2012–30.06.2014 amounted to EUR 1 570 961.

40. In order to reduce the amount of buried non-sorted municipal waste, up to 2014 four non-sorted municipal waste sorting lines were developed, whose operations resulted in significant decrease of the amount of waste buried in landfill sites:
 - 40.1. In 2010 the waste landfill site management company SIA „ZAAO” developed a waste pre-processing centre⁵⁰ (hereinafter: sorting line) in the landfill site „Daibe”;
 - 40.2. In 2011 the waste landfill site management company SIA „Vidusdaugavas SPAAO” installed a sorting line for non-sorted municipal waste⁵¹ in the landfill site „Dziļā vāda”, which was operational since 2013⁵²;
 - 40.3. In 2012 the waste landfill site management company SIA „Ventspils labiekārtošanas kombināts” developed a pre-processing centre of non-sorted municipal waste⁵³ (hereinafter: sorting line) in the landfill site „Pentuļi”;
 - 40.4. In 2013 the waste management company SIA „Jelgavas komunālie pakalpojumi” developed a sorting station of non-sorted municipal waste (hereinafter: sorting line).
41. Although at the result of operations of the sorting lines for unsorted municipal waste the volume of waste buried in landfill sites decreased, sorting line management companies are still levying the natural resources tax for complete amount of waste — including the waste which at the result of sorting is not buried in landfill sites.
42. In order to identify the amount of the natural resources tax levied by sorting line management companies for waste which at the result of sorting operations was not buried in landfill sites, during the audit this data was recalculated.
At the result of recalculation the difference was obtained between non-sorted waste accepted in sorting lines and non-sorted municipal waste buried in landfill sites, multiplied by the natural resources tax rate.
43. According to the results of the recalculation, the amount of unjustified expenditure during the time period 01.01.2012–30.06.2014 by waste holders, including residents, of 44 local governments⁵⁴ was EUR 1 570 961, including:

⁵⁰ Act No 38, No 39, No 41, No 42 of SIA „ZAAO” of 30.12.2010 on “Putting into operation of fixed assets”.

⁵¹ Delivery-purchase contract No SPAAO 2010/3ES KF-01 of 25.03.2011 concluded by SIA „Vidusdaugavas SPAAO”, union of persons SIA „Ecotechno Baltic” and *Komptech GmbH*.

Fixed assets card No P110013 “Comminutor KOMPTECH TERMINATOR 3400”;

Fixed assets card No P110019 “Compost sifter KOMPTECH MULTISTAR L3 FLOWERDISC”.

⁵² SIA „Vidusdaugavas SPAAO” form “No 3. Waste. Waste overview.” in 2012 and 2013. Available at: <http://parissrv.lv/gmc.lv/> [viewed on 28.10.2014].

⁵³ Act No 12000700980284 of 12.12.2012 on “Development of additional infrastructure in the hard waste landfill site „Pentuļi” and putting in operation of subsidiary building in the estate property „Jaunpentuļi”, Vārve parish, Ventspils county”.

⁵⁴ The city of Jelgava, Jelgavas county and Ozolnieki county, Ventspils waste management centre (the city of Ventspils and three counties: Alsunga county, part of Kuldīga county — the city of Kuldīga, Ēdole, Gudenieki, Īvande, Kurmāle, Padure, Pelči, Rumba, Snēpele, Turlava county and Ventspils county), Vidusdaugava waste management region (the city of Jēkabpils and 14 counties: Aizkraukle, Aknīste, Ērgļi, Jaunjelgava, Jēkabpils, Koknese, Krustpils, Madona, Nereta, Pļaviņas, Sala, Skrīveri, Viesīte and Varakļāni county) and Ziemeļvidzeme waste management region (the county of Valmiera and 21 county: Aloja, Amata, Beverīna, Burtnieki, Cēsis,

- 43.1. The city of Jelgava, Jelgavas county and Ozolnieki county — EUR 856 156;
- 43.2. Ventspils waste management region⁵⁵ — EUR 213 815;
- 43.3. Vidusdaugava waste management region⁵⁶ — EUR 32 265;
- 43.4. Ziemeļvidzeme waste management region⁵⁷ — EUR 468 725.
44. In order to ensure waste holders, including residents, are invoiced only for justified waste burial expenditure taking into account the fact that the amount of buried waste might decrease at the result of waste management activities, the State Audit Office issued following recommendations:
- 44.1. Waste management companies to ensure levying of the natural resources tax and landfill site tariff⁵⁸ only for the part of waste that is buried in the landfill site;
- 44.2. VARAM to improve regulatory enactments in order to establish a unified order of levying of natural resources tax only for the part of waste which is buried in landfill site⁵⁹.
45. Auditors would emphasise that introduction of waste sorting lines has caused significant changes, for example, in respect to operations and structure of expenditure of the waste management company of the city of Jelgava and Ventspils landfill site management company, causing additional expenditure and additional revenue, however the waste management company of the city of Jelgava has not reconsidered the fee for collection and transportation of waste and Ventspils landfill site management company has not reconsidered the landfill site tariff, which leads to a potential of:
- 45.1. Compensation of expenditure for introduction and maintenance of waste sorting lines by unjustifiably collected fee for burial of waste;
- 45.2. Not ensuring that only technologically and economically justified costs are included in tariffs.
46. The State Audit Office issued a recommendation to sorting line management companies⁶⁰ to reconsider the fee for collection and transportation of waste as well as the landfill site tariff in order to ensure that only technologically and economically justified costs are included in tariffs and to demonstrate to residents the economic benefit from development of sorting lines.
47. Figure 2 depicts a schematic representation of the system of waste management after introduction of sorting lines for non-sorted waste.

Jaunpiebalga, Kocēni, Krimulda, Limbaži, Līgatne, Mazsalaca, Naukšēni, Pārgauja, Priekuļi, Rauna, Rūjiena, Salacgrīva, Smiltene, Strenči, Valka and Vecpiebalga county.

⁵⁵ The city of Ventspils and three counties: Alsunga, part of Kuldīga county (the city of Kuldīga, Ēdole, Gudenieki, Īvande, Kurmāle, Padure, Pelči, Rumba, Snēpele, Turlava county) and Ventspils county.

⁵⁶ The city of Jēkabpils and 14 counties: Aizkraukle, Aknīste, Ērgļi, Jaunjelgava, Jēkabpils, Koknese, Krustpils, Madona, Nereta, Pļaviņas, Sala, Skrīveri, Viesīte and Varakļāni county.

⁵⁷ The city of Valmiera and 21 county: Aloja, Amata, Beverīna, Burtnieki, Cēsis, Jaunpiebalga, Kocēni, Krimulda, Limbaži, Līgatne, Mazsalaca, Naukšēni, Pārgauja, Priekuļi, Rauna, Rūjiena, Salacgrīva, Smiltene, Strenči, Valka and Vecpiebalga county.

⁵⁸ Levying of landfill site tariff in respect only to the waste management company of the city of Jelgava SIA „Jelgavas komunālie pakalpojumi”, which is not operating as a waste landfill site management company, since based on explanations by the Public Utilities Commission waste landfill site management companies are establishing landfill site tariffs for burial of waste by taking into account the decreased amount of waste at the result of operations of sorting lines.

⁵⁹ Paragraph 2 of Part One of Article 39 of the Waste Management Law and Appendix 3 of the Natural Resources Tax Law.

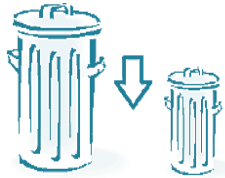
⁶⁰ Waste management company of the city of Jelgava and Ventspils landfill site management company.

Due to reduction of the amount of buried waste in landfill sites at the result of installing of waste sorting lines and due to continued levying of the same level of landfill site tariff* and natural resources tax, the total amount of overpayment by waste holders, including residents, of 44 local governments during two and a half years amounted to EUR 1 570 961.



Waste holders pay to waste management companies:

- A fee for collection and transportation of municipal waste;
- A fee for burial of waste in landfill site;
- Natural resources tax for burial of waste.



At the result of introduction of sorting lines, the amount of buried waste decreases.



Waste burial expenditure of waste management companies also decreases, since the sorted waste is no more transported to landfill sites but is handed over for recycling.



The fee for burial of waste in landfill sites* and the natural resources tax for burial of waste, collected from waste holders, including residents, generates additional revenue by waste management companies which, possibly, is directed for covering of costs of development and operations of sorting lines.

* Additional revenue from collected fees for burial of waste is generated only by the waste management company of the city of Jelgava SIA „Jelgavas komunālie pakalpojumi”, which is not operating as a waste landfill site management company, since based on explanations by the Public Utilities Commission waste landfill site management companies are establishing landfill site tariffs for burial of waste by taking into account the decreased amount of waste at the result of operations of sorting lines.

Figure 2. The system of waste management after introduction of sorting lines for non-sorted waste

Contracts concluded by local governments with waste management companies and contracts concluded by waste management companies with residents in most cases do not ensure protection of interests of residents and potential for efficient organisation of waste management in the territory of respective local governments.

I

Contracts concluded by local governments with municipal waste management companies

48. Local governments are concluding contracts with the selected waste management companies for provision of waste management services in respective administrative territories by following both regulatory enactments⁶¹ and VARAM recommendations⁶² on essential conditions of waste management contracts.
49. Contracts concluded by local governments with waste management companies not always are compliant with regulatory enactments⁶³ and VARAM recommendations, which negatively impacts the ability of local governments to efficiently organise management of waste in their administrative territories.
50. Contracts concluded by local governments with waste management companies not always determine: (1) the order of amendment of waste management fees and informing residents about changes in fees; (2) the order of providing information on contracts concluded with residents to newly appointed waste management companies; and (3) the order of coordination of draft contracts by waste management companies and local governments with residents; (4) contracts do not include any requirements on quality of service, thus the local governments cannot assess the quality of services provided by waste management companies and are not able to decide on improvement of quality in order to safeguard interests of residents; (5) contracts do not provide any penalties for breach of obligations; (6) in several cases contracts are non-compliant with regulatory enactments⁶⁴.
51. The State Audit Office issued a recommendation to VARAM to elaborate a draft project on minimal requirements to be included in contracts concluded by local governments with municipal waste management companies in order to facilitate protection of interests of local governments and residents and application of the principle of reasonableness.

II

Contracts concluded by residents and municipal waste management companies

52. Waste management contracts to be concluded with residents are prepared by waste management companies, and the content and conditions of contracts are different in each local government.
53. The Consumer Rights Protection Centre as the competent authority has analysed the contracts and has identified several unfair requirements⁶⁵ in the contracts concluded by

⁶¹ The Waste Management Law, the Law on Public Procurement, the State Administration Law, the Law on Local Governments.

⁶² Appendix 2 of the VARAM letter No 2.18-1e/4605 of 23.05.2013 on the "Recommendations for organisation of procurement procedures for selection of waste management companies by local governments, and recommendations on essential conditions of waste management contracts".

⁶³ The Waste Management Law, the Law on Public Procurement, the State Administration Law, the Law on Local Governments.

⁶⁴ The Waste Management Law, the Law on Public Procurement, the State Administration Law, the Law on Local Governments.

⁶⁵ Review by the Consumer Rights Protection Centre of the draft supervision project "Supervision of conditions of contracts and commercial practice/advertising in the field of municipal waste management", 2014 [Available at: http://www.ptac.gov.lv/page/212&news_id=552 (viewed on 24.11.2014)].

waste management companies with residents, for example: (1) the order of adjudication of disputes and filing of claims; (2) contractual penalties and other types of compensation; (3) rights of service provider to refuse the service; (4) rights of service provider to introduce a unilateral changes in the conditions of contracts etc.

54. The conclusion is that the existent practice of conclusion of waste management contracts between waste management companies and residents in most cases and in respect to several aspects does not ensure protection of consumer interests.
55. The State Audit Office issued a recommendation to VARAM in cooperation with the Consumer Rights Protection Centre to elaborate a draft project on minimal requirements to be included in contracts between residents and waste management companies, thus facilitating protection of interests of residents and application of the principle of reasonableness.

Local governments have not implemented sufficient measures in order to ensure compliance with the Waste Management Law which stipulates that residents must conclude contracts on collection and transportation of municipal waste.

On average 56% of households have not concluded waste management contracts, which in practice means that the respective households are either polluting the environment or disposing waste in containers of other residents. This, in its turn, means that residents who have concluded contracts are forced to pay also for residents who have not concluded contracts.

Two out of three local governments included in the audit sample did not have any information on the number of households within their territories.

56. Pursuant to the Waste Management Law⁶⁶ waste management activities must not leave a negative impact on environment, including pollution and littering. Therefore, every person⁶⁷ whose activities generate waste, must conclude a contract with the waste management company selected by local government⁶⁸ on collection and transportation of municipal waste.
57. Table 2 depicts the proportion of the number of households in local governments included in the audit sample (up to 30.06.2014) which have and have not concluded contracts.

Table 2.

Proportion of the number of households in local governments included in the audit sample (up to 30.06.2014), which have and have not concluded contracts

No	Dwellings (type of building) Local government	Apartment house		Individual house	
		Number of concluded contracts, %	Number of non-concluded contracts, %	Number of concluded contracts, %	Number of non-concluded contracts, %
1.	Aizkraukle county	99	1	45	55
2.	Cesvaine county	80	20	43	57
3.	The city of Jelgava	No information	No information	No information	No information
4.	Kuldīga county	No information	No information	No information	No information

⁶⁶ Part Two of Article 4 of the Waste Management Law.

⁶⁷ Paragraph 6 of Article 1 of the Waste Management Law.

⁶⁸ Paragraph 1 of Part One of Article 16 of the Waste Management Law.

5.	Lubāna county	90	10	57	43
6.	Nereta county	100	0	45	55
7.	Preiļi county	80	20	42	58
8.	Vārkava county	100	0	33	67
	<i>Average</i>	92	8	44	56

58. Pursuant to the Law on Local Governments⁶⁹ local governments are controlling collection and transportation of waste within their administrative territories.
59. During the audit local governments informed that in order to motivate the residents to conclude contracts for collection and transportation of municipal waste, local governments are informing and warning people about the necessity of conclusion of contracts and organising the procedure of conclusion of contracts within premises of local governments.
60. During the time period 01.01.2012–30.06.2014 in just two out of eight local governments included in the audit sample four violations of regulatory enactment⁷⁰ were revealed in respect to non-conclusion of waste management contracts.
61. This means that local governments have not implemented sufficient measures in order to ensure compliance with the Waste Management Law, which stipulates that residents must conclude contracts on collection and transportation of municipal waste, since:
- 61.1. Jelgava Municipal Authority and Kuldīga Rural Municipality do not have any information on the number of households within each local government;
- 61.2. In other local governments included in audit sample in average 56% of households of private houses and 8% of households of residential houses have not concluded waste management contracts, thus there is no sufficient restriction of pollution of environment ensured and residents who have concluded contracts are potentially paying for waste management services used by residents who have not concluded contracts.
62. The State Audit Office issued a recommendation to local governments, depending on each situation to develop or substantially improve the control system or implement additional measures in order to facilitate conclusion of municipal waste collection and transportation contracts by all waste holders within the territory of respective local governments.

During the audit non-systematic violations were also revealed in respect to several waste management companies and waste landfill site management companies, but only in several local governments.

I Increased waste transportation costs

Jelgava local government capital company SIA „Jelgavas komunālie pakalpojumi” has not ensured efficient use of financial resources, since the company has not purchased specialised waste collection vehicles but is leasing them from its other shareholder, local government capital company SIA „KULK”, due to which the amount of overpayment during the time period 01.03.2006–30.06.2014 has amounted to at least EUR 575 385.

Meanwhile, in 2014 a new contract was concluded with the same SIA „KULK” for lease

63. On 01.03.2006 SIA „Jelgavas komunālie pakalpojumi” concluded an open-end contract with its shareholder SIA „KULK” on lease and service of specialised waste collection vehicles without applying procurement procedure.

⁶⁹ Paragraph 2 of Part One of Article 15 of the Law On Local Governments.

⁷⁰ Part Two of Article 75 of the Administrative Violations Code of the Republic of Latvia.

64. The waste management fee invoiced to residents includes also transportation costs of the waste management company.

In order to compare lease costs of specialised waste collection vehicles with potential costs of purchase, a sample of vehicles necessary for operations of SIA „Jelgavas komunālie pakalpojumi” was developed including waste collection vehicles leased for long-term⁷¹. During calculation of purchase costs of specialised vehicles included in the sample, the market price of such vehicles during the respective period and the potential additional costs (lease costs and vehicle tax) were considered. The calculation did not include repair costs of specialised waste collection vehicles, since the lease contract did not include repair services, and also did not include insurance costs which were to be covered by the lessee.

65. Based on the results of calculations performed during the audit, purchase of specialised waste collection vehicles by SIA „Jelgavas komunālie pakalpojumi” would be substantially more profitable than lease.

During the time period 01.03.2006–30.06.2014 SIA „Jelgavas komunālie pakalpojumi” would have saved at least EUR 575 385, reducing the transportation costs for at least 44%, which would enable reduction of waste management fee paid by waste holders, including residents.

66. Jelgava Municipal Authority provided information without written evidence that in 2006 purchase of specialised waste collection vehicles was not possible due to negative share capital of SIA „Jelgavas komunālie pakalpojumi” in 2006.

According to the opinion of the State Audit Office, in 2006 it was possible to purchase specialised waste collection vehicles by directing resources from lease payments to purchase of new vehicles.

67. Although since 2010 the share capital of SIA „Jelgavas komunālie pakalpojumi” is positive, the company continued to lease specialised waste collection vehicles without considering an option to purchase the vehicles; at the result during the time period 01.01.2010–30.06.2014 transportation costs increased for at least EUR 420 700.

68. During the audit SIA „Jelgavas komunālie pakalpojumi” announced a procurement of full service lease of specialised vehicles. At the result of the procurement, on 17.10.2014 a contract was concluded with SIA „KULK” on lease of the same vehicles which were included in the lease contract of 2006 but with increased transportation costs by 39%, leading to a risk that due to this cost increase the waste holders, including residents, will be subject to increased waste management fee.

69. Figure 3 represents a schematic comparison of costs for use of specialised waste collection vehicles by SIA „Jelgavas komunālie pakalpojumi”.

⁷¹ Waste collection vehicles leased for over 50 months.

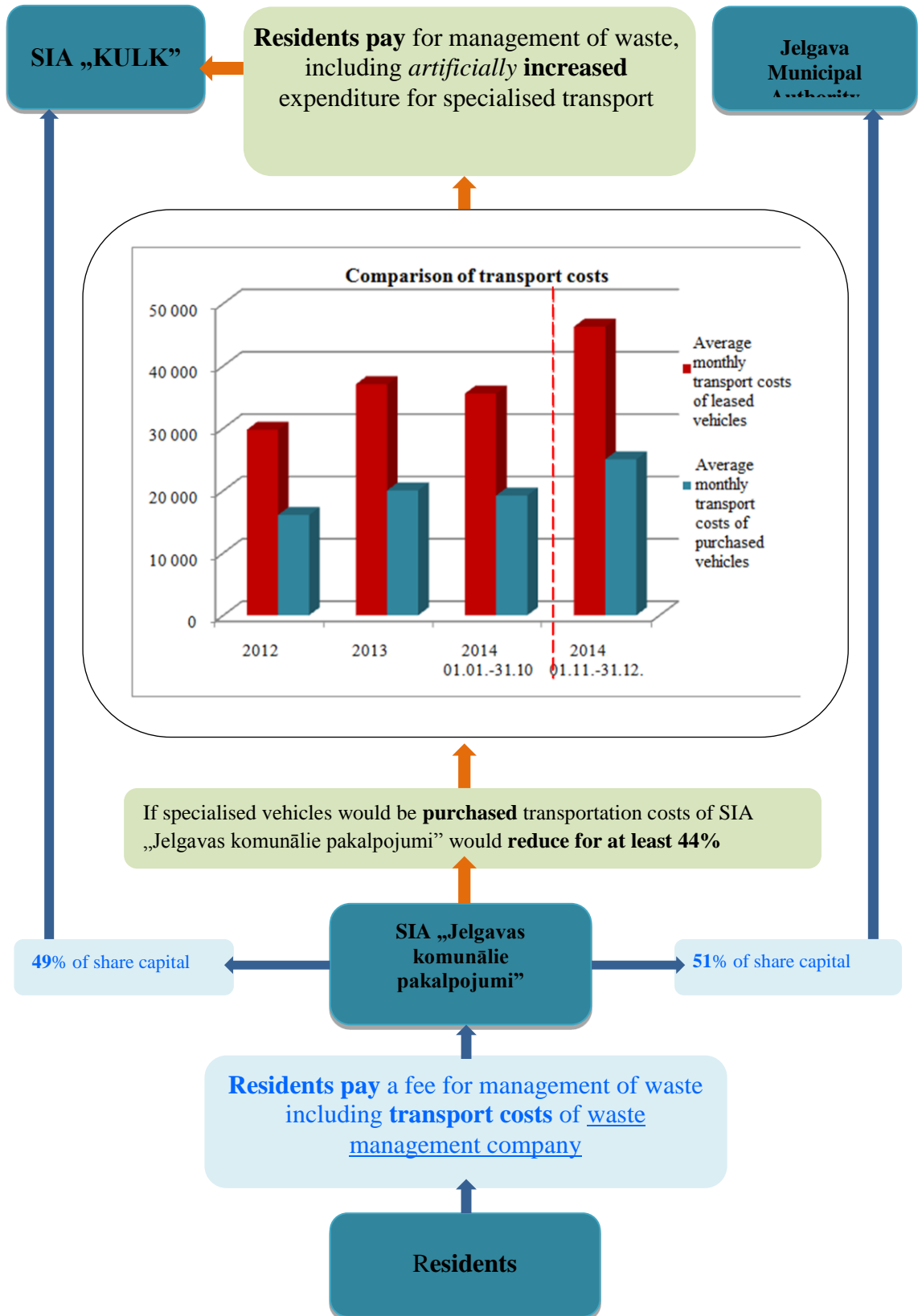


Figure 3. *Costs of specialised waste collection vehicles used by SIA „Jelgavas komunālie pakalpojumi”*

70. The State Audit Office issued a recommendation to Jelgava Municipal Authority as the majority share holder of SIA „Jelgavas komunālie pakalpojumi” to consider alternative options for acquisition of specialised vehicles and implement measures aimed at reduction of specialised vehicle costs included in waste management fee invoiced to waste holders, including residents.

II Unjustified amount of subsidy for maintenance of sites for separate collection of waste

Jelgava and Bauska local government capital company SIA „Zemgales EKO” has requested and received an excessive amount of subsidy for maintenance of sites for separate collection of waste, since during calculation of the requested grant the revenue of the company from realisation of waste collected within the mentioned sites was not taken into account.

71. Jelgava and Bauska local government capital company SIA „Zemgales EKO” provides maintenance services of three sites for separate collection of waste in Jelgava⁷² and transport services of separated waste to the sorting and handling centre.
72. Management of two sites for separate collection of waste⁷³ is subsidized by the Jelgava Municipal Authority, and during the time period 01.01.2012–30.06.2014 SIA „Zemgales EKO” has used part of the grant in the amount of EUR 196 163.
73. During the time period 01.01.2012–30.06.2014 SIA „Zemgales EKO” gained revenue EUR 232 129 from realisation of recyclable raw material, but this revenue was not attributed to the operations of the sites for separate collection of waste, although the waste accepted in the waste collection sites was sorted and then realised as recyclable raw material.
74. The State Audit Office issued a recommendation to Jelgava Municipal Authority to consider the possibility to reduce the amount of the grant allocated to maintenance of sites for separate collection of waste, taking into account the revenue from realization of separated waste collected in the sites.

III Inclusion of non-received services in the waste management fee

Vārkava Rural Municipality has not ensured supervision over execution of municipal waste management contracts concluded with waste management companies, at the result of which residents of the county are paying for the service of separate collection of waste which actually is not received.

75. Pursuant to the municipal waste management contracts concluded by Vārkava Rural Municipality with waste management companies, the companies are responsible for ensuring separate collection of municipal waste in the county.
76. Waste management companies are not providing this service and the residents of Vārkava county are not provided with options for separate collection of waste, however residents are paying for the service of separate collection of waste as it is included in the waste management fee.

⁷² Paula Lejiņa iela 6, Jelgava, Salnas iela 20, Jelgava and Ganību iela 84, Jelgava.

⁷³ Paula Lejiņa iela 6, Jelgava and Salnas iela 20, Jelgava.

77. A recommendation was issued to Vārkava Rural Municipality to ensure that the municipal waste management company provides the service of separate collection of waste to residents according to the concluded contract.

IV Regulatory non-compliant use of waste landfill sites

In Kuldīga county burial of municipal waste is not performed in accordance with the requirements of the Cabinet of Ministers Regulations, which stipulate that municipal waste must be buried in landfill sites pegged to the respective waste management region.

Although there are three various waste landfill sites in Kuldīga county, since 01.02.2014 waste is delivered only to one landfill site, thus endangering sustainability of operations of landfill sites.

78. There are three waste management regions in Kuldīga county — Liepāja, Piejūras and Ventspils⁷⁴, and waste generated in Kuldīga county must be buried in landfill site pegged to the respective waste management region⁷⁵:
- 78.1. „Ķīvītes”, managed by SIA „Liepājas RAS” (Reg. No 42103023090);
- 78.2. „Janvāri”, managed by SIA „Atkritumu apsaimniekošanas sabiedrība „Piejūra”” (Reg. No 40003525848);
- 78.3. „Pentuļi”, managed by SIA „Ventspils labiekārtošanas kombināts” (Reg. No 41203001052)⁷⁶.
79. During development phase of the landfill sites the total area of each site for the next 20 years was determined taking into account the number and density of residents, direction of waste flow and forecast for generation of waste for the next 20 years.
80. Up to 31.01.2014 municipal waste generated in Kuldīga county was buried in municipal waste landfill sites pegged to the respective waste management region — „Ķīvītes”, „Janvāri” and „Pentuļi”.
- Since 01.02.2014 municipal waste generated in Kuldīga county is buried in only one municipal waste landfill site — „Pentuļi” (see Image 4).
81. Since 01.02.2014 the actions of Kuldīga county do not comply with the requirements of the regulatory enactment⁷⁷ — to bury municipal waste in municipal waste landfill site pegged to the respective waste management region; although waste generated in Kuldīga county must be buried in three various landfill areas, the waste is buried only in one landfill area — „Pentuļi”, thus endangering sustainability of operations of landfill sites „Ķīvītes”, „Janvāri” and „Pentuļi”.
82. According to the audit findings, VARAM offered⁷⁸ Kuldīga Rural Municipality to amend the regulatory enactment⁷⁹ so that the waste generated in Kuldīga county would be buried in only one landfill site on a condition that there is a respective economic justification.

⁷⁴ Paragraph 5 of Table 3, Paragraph 5 of Table 5 and Paragraph 2 of Table 7 of the Appendix of the CM Regulations No 337 of 25.06.2013 on the “Provisions on the waste management regions”.

⁷⁵ Paragraph 2 of the CM Regulations No 337 of 25.06.2013 on the “Provisions on the waste management regions”.

⁷⁶ Page 13 and page 15 of the State Waste Management Plan 2013–2020 (approved by CM Order No 100 of 21.03.2013).

⁷⁷ Paragraph 2; Paragraph 5 of Table 3, Paragraph 5 of Table 5 and Paragraph 2 of Table 7 of the CM Regulations No 337 of 25.06.2013 on the “Provisions on the waste management regions”.

⁷⁸ VARAM meeting with the representatives of Kuldīga Rural Municipality on 16.04.2013.

Kuldīga Rural Municipality did not use this opportunity.

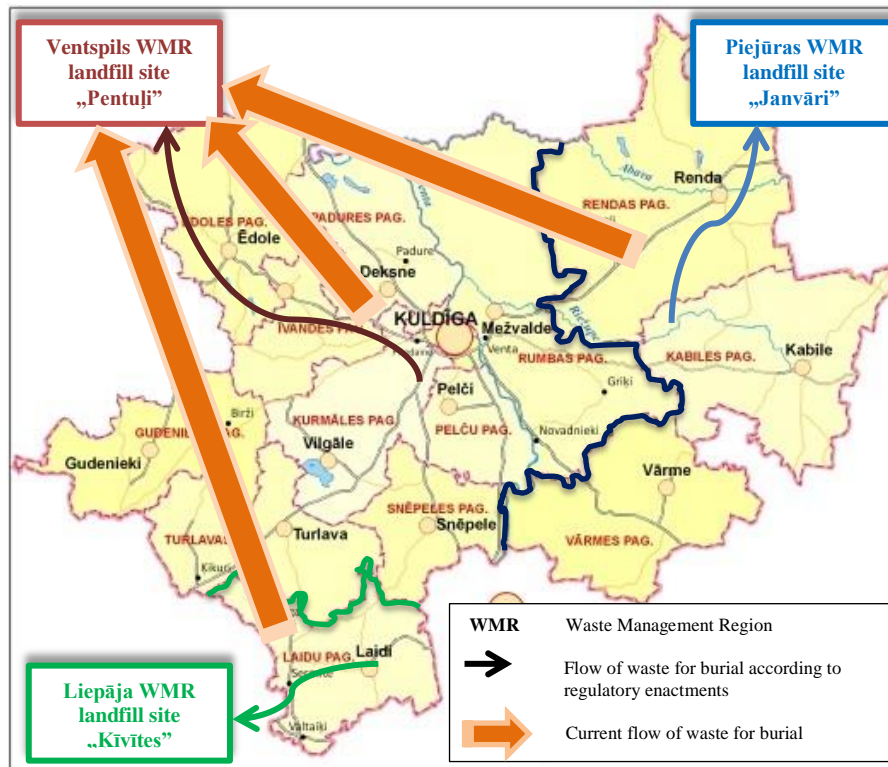


Figure 4. *Distribution of Kuldīga county per waste management regions and landfill sites pegged to regions*

83. A recommendation was issued to Kuldīga Rural Municipality to ensure compliance with regulatory enactment⁸⁰ so that the municipal waste collected in the territory of the local government is buried in the respective landfill sites.

V *Inefficient operations of landfill sites*

Due to inappropriate technical conditions performance of the waste sorting line installed in landfill site „Dziļā vāda” does not comply with the planned goals of waste sorting, since it is used only for 21%, therefore waste holders, including residents, are paying for inefficient use of the sorting line.

84. In 2011 SIA „Vidusdaugavas SPAAO” purchased and installed a waste sorting line. Disregarding the regulatory enactment⁸¹ the line is operating in an open air and not inside buildings.
85. At the result, the site is operational only during several months per year, and presently the amount of sorted waste is only 21% of the planned volume. The purchase price of the waste sorting line was EUR 873 982, and these costs are included in landfill site tariff.

⁷⁹ Paragraph 2; Paragraph 5 of Table 3, Paragraph 5 of Table 5 and Paragraph 2 of Table 7 of the CM Regulations No 337 of 25.06.2013 on the “Provisions on the waste management regions”.

⁸⁰ Paragraph 2 of the CM Regulations No 337 of 25.06.2013 on the “Provisions on the waste management regions”.

⁸¹ Paragraph 20 of the CM Regulations No 898 of 22.11.2011 on the “Provisions on the waste collection and sorting lines”.

Thus the waste holders, including residents, are paying also for inefficient use of the sorting line.

86. A recommendation was issued to SIA „Vidusdaugavas SPAAO” to ensure efficient use of the sorting line in accordance with its planned capacity in order to achieve the planned goals of waste sorting.

VI Residents living in individual houses “subsidise” residents of residential houses

The amount of overpayment for waste management services by residents of individual houses and companies during the time period 01.01.2012–30.06.2014 was EUR 6808 and they have covered costs of waste containers used by residents of residential houses.

87. In Preiļi county the waste management fee applicable to all residents of the county includes amortisation costs of waste containers placed near residential houses. Residents of individual houses and companies in addition to waste management fee are paying also for purchase or lease of waste containers.
88. Due to inclusion of costs related only with part of consumers (residents of residential houses) in waste management fee applicable to all consumers, the residents of individual houses and companies have overpaid EUR 0.32 for each processed cubic metre of waste, thus subsidising the residents of residential houses.
89. The amount of overpayment for waste management services by residents of individual houses and companies of Preiļi county during the time period 01.01.2012–30.06.2014 was EUR 6808 since they were covering costs of waste containers used by residents of residential houses.
90. A recommendation was issued to Preiļi Rural Municipality to reconsider the waste management fee established in Preiļi county and ensure that residents are paying only for the *actually* received services.
91. The State Audit Office would like to emphasize the operational measures taken by the Preiļi Rural Municipality — having reviewed the results of the audit by the State Audit Office, Preiļi Rural Municipality ensured that as from 01.01.2015 the waste management company provides waste containers to residents of private houses without lease charge or purchase charge, thus ensuring equal treatment of all residents⁸².

Other violations

During the time period 01.01.2012–30.06.2014 the Latvian Association of Waste Management Companies has unlawfully collected from waste management companies a fee for issuance of opinion in the amount of EUR 32 508.

The necessity of involvement of the Latvian Association of Waste Management Companies in the process of issuance of permits should be reconsidered.

⁸² Letter No 4-10/90 by of 28.01.2015 from Preiļi Rural Municipality.

92. In order to provide waste management services, a waste management company has to receive an authorisation issued by the State Environment Service (hereinafter: waste management permit).

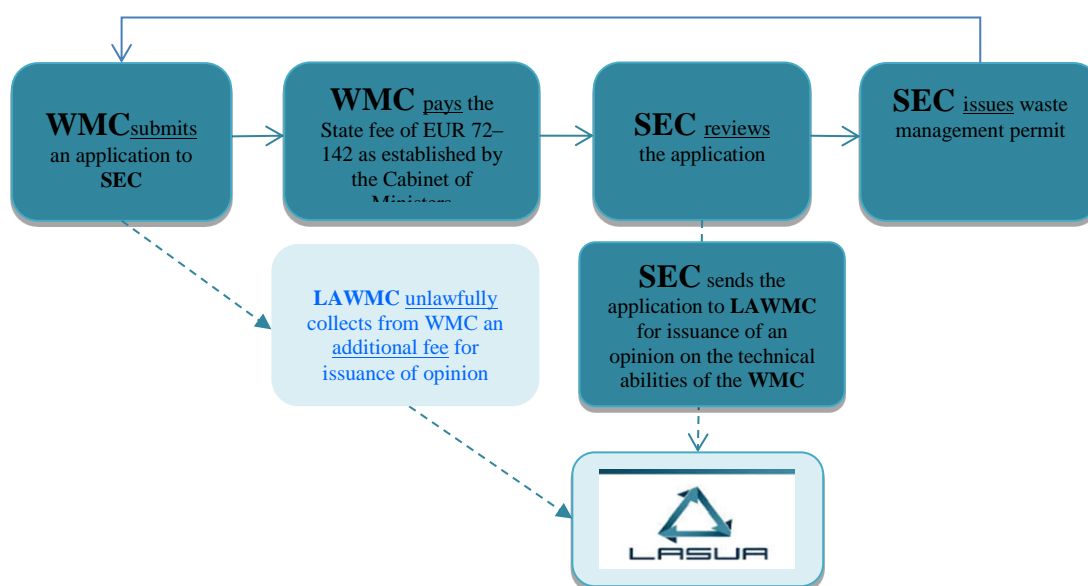
The State Environment Service ensures the process of issuance of waste management permits during which an opinion is issued by an independent commission of experts (hereinafter: Commission) of the Latvian Association of Waste Management Companies (hereinafter: Association) on the abilities of the waste management company to provide waste management services (hereinafter: Opinion).

93. Prior to the receipt of waste management permit the waste management company must pay a state fee.

The board of the Association has established an additional fee for issuance of Opinion, however pursuant to the *State Administration Law*⁸³ the order of establishment and approval of fees for services provided by natural persons within state administration requests is established by the Cabinet of Ministers.

Therefore, during the time period 01.01.2012–30.06.2014 the Association has unlawfully collected a fee for issuance of Opinions from waste management companies in the amount of EUR 32 508.

94. Image 5 provides a schematic representation of involvement of the Association in the process of issuance of waste management permits.



WMC – waste management company; SEC — State Environment Service; LAWMC — Latvian Association of Waste Management Companies

Figure 5. *Involvement of the Latvian Association of Waste Management Companies in the process of issuance of waste management permits*

95. The State Audit Office issued a recommendation to VARAM to implement measures in order to eliminate collection of additional fee for issuance of Opinion by the Association as such practice violates the *State Administration Law*⁸⁴.
96. The necessity of involvement of the Association in the process of issuance of permits should be reconsidered, since:

⁸³ Part Two of Article 43¹ of the “State Administration Law”.

⁸⁴ Part Two of Article 43 of the “State Administration Law”.

- 96.1. In several cases the State Environment Service has issued permits without receiving Opinion of the Commission of the Association, since the Opinion was not issued within the set terms;
- 96.2. Adverse Opinions issued by the Commission of the Association did not provide sufficient justification, therefore the State Environment Service had to involve additional resources in order to obtain assurance as to whether the waste management company really did not have sufficient technical abilities in order to perform waste management activities;
- 96.3. Five out of six waste management activities can be performed without receiving the opinion from the Association.
97. The State Audit Office issued a recommendation to VARAM to reconsider the necessity of involvement of the Latvian Association of Waste Management Companies in the process of issuance of permits.

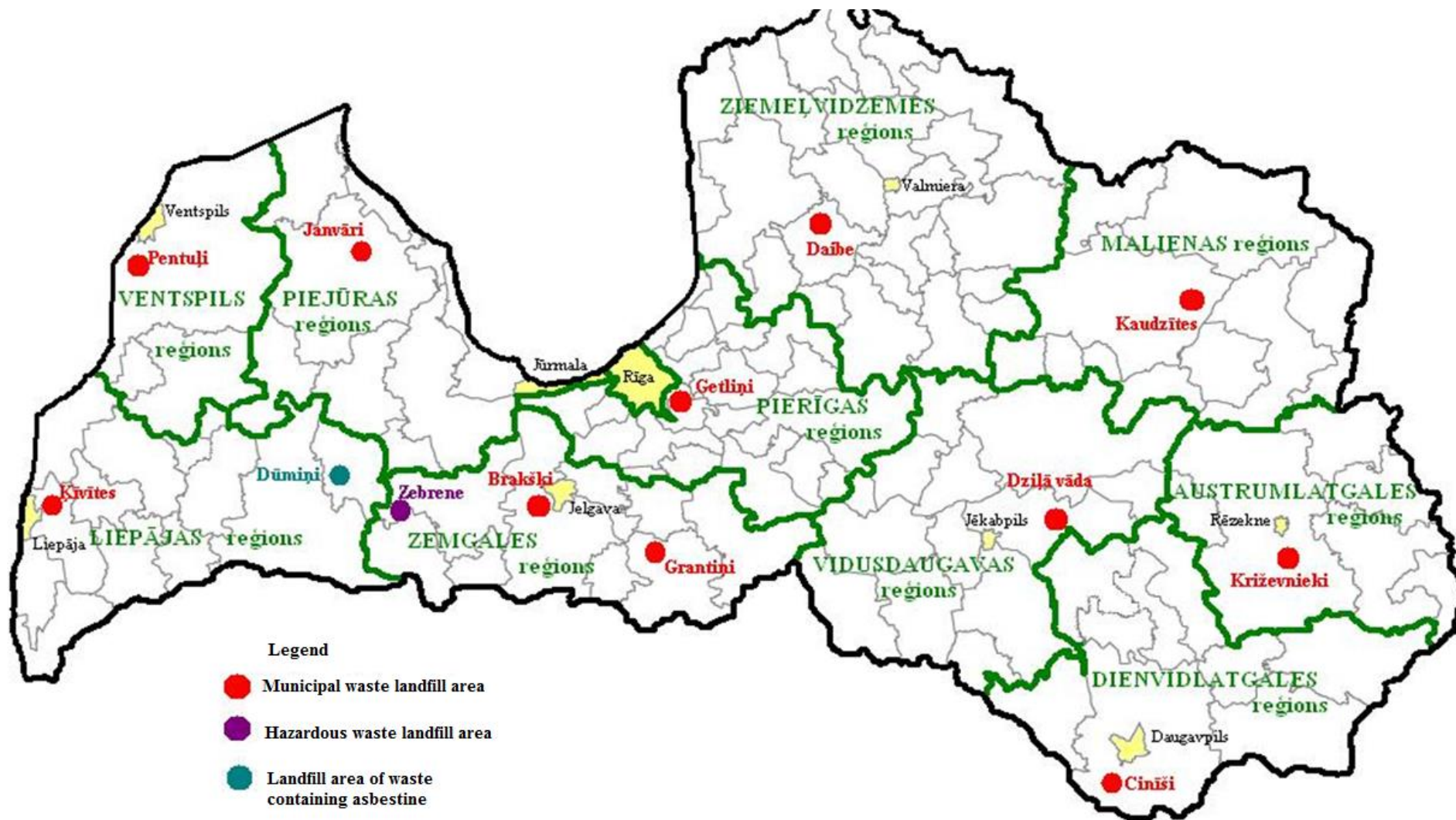
Summary of recommendations issued by the State Audit Office

98. The State Audit Office issued 26 recommendations aimed at elimination of deficiencies revealed during the audit. The audited entities have agreed to implement the recommendations issued by the State Audit Office in accordance with the time schedule for implementation of recommendations coordinated with the responsible officials.

Director of the Department

M. Salgrāve

Waste management regions and landfill sites in Latvia⁸⁵



Head of Audit Group
Senior State Auditor

J. Salenieks

⁸⁵ Page 13 of the State Waste Management Plan 2013–2020 (approved by CM Order No 100 of 21.03.2013).

Total amount overpaid in 44 local governments — EUR 3 647 341

